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ABSTRACT

The proceedings from the 2 days of hearings before the Subcommittee on Employment Opportunities on the Full Employment and Balanced Growth Act of 1977, the authorizations and appropriations for the Comprehensive Employment and Training Act (CETA), and the President's economic stimulus proposals are presented in this report. All prepared testimonies and supporting documents are recorded along with the texts of the actual presentations and pursuant discussions. Testimonies from the following witnesses are included: Dr. Gar Alperovitz, codirector of Exploratory Project for Economic Alternatives; Gene Binion, superintendent of Elliott County schools (Kentucky); Richard Brown, staff consultant of Full Employment Action Council; Robert Eisner, professor of economics at Northwestern University; Hon. Kenneth Gibson, president of the U.S. Conference of Mayors; Rev. Arthur Keys, chairman of Committee on Full Employment, National Council of Churches; Malcolm Lovell, president of Rubber Manufacturers; Richard Schubert, vice president of public affairs, Bethlehem Steel Corporation; Billy Joe Martin, Powell County judge (Kentucky); Virgil Osborne, director of Eastern Kentucky Concentrated Employment Program; Leon Shull, national director of Americans for Democratic Action; Jor Weintraub, legislative representative of National Association of Counties; and Kenneth Young, assistant director of department of legislation, AFL-CIO. (BM)

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THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AUTHORIZATION OF APPROPRIATIONS FOR CETA, AND THE PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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MAY 31 1977

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 50

THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AND

H.R. 2992

AUTHORIZATION OF APPROPRIATIONS FOR CETA, AND THE PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

HEARINGS HELD IN WASHINGTON, D.C., FEBRUARY 8, 10, 1977

Volume 1

Printed for the use of the Committee on Education and Labor

CARL D. PERKINS, *Chairman*

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THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AUTHORIZATION OF APPROPRIATIONS FOR CETA, AND THE PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

TUESDAY, FEBRUARY 8, 1977

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:45 a.m. in room 2261, Rayburn House Office Building, Hon. Augustus Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Dent, Beard, Myers, LeFante, Weiss, Corrada, Sarasin, and Quie.

Staff present: Susan D. Grayson, staff director; William Higgs, counsel; Nathaniel Semple, minority legislative associate; and Carole Schanzer, clerk.

[Text of H.R. 50 and H.R. 2992 follows:]

(1)

95TH CONGRESS
1ST SESSION

H. R. 50

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1977

Mr. HAWKINS (for himself and Mr. PERKINS) introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

A bill to establish and translate into practical reality the right of all adult Americans able, willing, and seeking to work to full opportunity for useful paid employment at fair rates of compensation; to combine full employment, production, and purchasing power goals with proper attention to balanced growth and national priorities; to mandate such national economic policies and programs as are necessary to achieve full employment, production, and purchasing power; to restrain inflation; and to provide explicit machinery for the development and implementation of such economic policies and programs.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act and the following table of contents may be cited as the "Full Employment and Balanced Growth Act of 1977":

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Sec. 1. Title.
Sec. 2. General findings.

TITLE I—ESTABLISHMENT OF GOALS, PLANNING, AND GENERAL ECONOMIC POLICIES

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Sec. 103. Economic goals and the Economic Report of the President.
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Sec. 108. Council of Economic Advisers.
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TITLE II—COUNTERCYCLICAL, REGIONAL, STRUCTURAL, AND YOUTH EMPLOYMENT POLICIES

Sec. 201. Statement of purpose.
Sec. 202. Countercyclical employment policies.
Sec. 203. Coordination with State and local government and private sector economic activity.
Sec. 204. Regional and structural employment policies.
Sec. 205. Youth employment policies.
Sec. 206. Full Employment Office and reservoirs of employment projects.
Sec. 207. Income maintenance and full employment policies.

TITLE III—POLICIES AND PROCEDURES FOR CONGRESSIONAL REVIEW

Sec. 301. Statement of purpose.
Sec. 302. General Congressional review.
Sec. 303. Congressional review of economic goals in President's Economic Report.
Sec. 304. Congressional review of Full Employment and Balanced Growth Plan.
Sec. 305. Division of Full Employment and Balanced Growth.
Sec. 306. Exercise of rulemaking powers.

TITLE IV—GENERAL PROVISIONS

Sec. 401. Nondiscrimination.
Sec. 402. Labor standards.
Sec. 403. Authorizations.
Sec. 404. Definitions.

GENERAL FINDINGS

SEC. 2. (a) The Congress finds that the Nation has suffered substantial and increasing unemployment and underemployment, over prolonged periods of time, imposing nu-

merous economic and social costs. Such costs include the following:

(1) The Nation is deprived of the full supply of goods and services, the full utilization of labor and capital resources, and the related increase in individual income and well-being that would exist under conditions of genuine full employment.

(2) Insufficient production is available to meet pressing national priorities.

(3) Workers are deprived of the job security, income, skill development, and productivity necessary to maintain and advance their standards of living.

(4) Business and industry are deprived of the production, sales, capital flow, and productivity necessary to maintain adequate profits, create jobs, and contribute to meeting society's economic needs.

(5) The Nation is exposed to social, psychological, and physiological costs and traumas, including disruption of family life, loss of individual dignity and self-respect, and the proliferation of physical and psychological illnesses, drug addiction, crime, and social conflict.

(6) Federal, State, and local government economic activity is undermined as government budget deficits occur because tax revenues fall and expenditures rise for unemployment compensation, public assistance, and

other recession-related services in the areas of criminal justice, drug addiction, and physical and mental health.

(b) The Congress further finds:

(1) High unemployment often increases inflation by diminishing labor training and skills, underutilizing capital resources, reducing the rate of productivity advance, increasing unit labor costs, reducing the general supply of goods and services and thereby generating cost-push inflation. In addition, modern inflation has been due in large measure to errors in national economic policy, including erratic monetary policy, inadequate energy and food policies, and ineffective policies to maintain competition in the private sector.

(2) Although necessary for sound economic policy, aggregate monetary and fiscal policies are inadequate by themselves to achieve full employment production and to restrain inflation. Such policies must be supplemented by more direct private and public measures to create employment and reduce inflation.

(3) Genuine full employment has not been achieved, in part, because explicit short- and long-term national economic goals and priorities have not been

established by the President, the Congress, and the Federal Reserve. Moreover, public and private economic policies have not been organized and coordinated to achieve national goals and priorities.

(4) Increasing job opportunities and full employment make a major contribution to the abolition of discrimination based upon sex, age, race, color, religion, national origin, and other improper factors.

(c) The Congress further finds that an effective full employment and balanced growth policy should (1) be based on the development of explicit economic goals and policies involving the President, the Congress, and the Federal Reserve, as well as State and local governments, with full use of the resources and ingenuity of the private sector of the economy, and (2) include programs specifically designed to reduce high unemployment due to recessions, and to reduce structural unemployment within regional areas and among particular labor force groups.

(d) The Congress further finds that full employment and balanced growth are important national requirements that will promote the economic security and well-being of all our citizens.

TITLE I—ESTABLISHMENT OF GOALS, PLANNING, AND GENERAL ECONOMIC POLICIES

STATEMENT OF PURPOSE

SEC. 101. It is the purpose of this title to declare the general policies of this Act, to provide an open process under which annual economic goals are proposed, reviewed, and established, to provide for the development of a long-range Full Employment and Balanced Growth Plan, to provide for economy in government measures, to ensure that monetary, fiscal, anti-inflation, and general economic policies are used to achieve the annual economic goals and support the goals and priorities of the Full Employment and Balanced Growth Plan, and generally to strengthen and supplement the purposes and policies of the Employment Act of 1946.

DECLARATION OF POLICY

SEC. 102. (a) Section 2 of the Employment Act of 1946 (15 U.S.C. 1021) is amended to read as follows:

"DECLARATION OF POLICY

"SEC. 2. (a) The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means, consistent with its needs and obligations and other essential national policies, with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose

of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions which promote balanced growth and useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote full employment, production, and purchasing power.

"(b) The Congress declares and establishes the right of all adult Americans (sixteen years of age or older) able, willing, and seeking work to opportunities for useful paid employment at fair rates of compensation.

"(c) The Congress further declares that inflation is a major national problem requiring improved government policies relating to food, energy, improved fiscal and monetary management, economy in government, the reform of outmoded government rules and regulations, the correction of structural defects in the economy that prevent or seriously impede competition in private markets, and other measures.

"(d) The Congress further declares that it is the purpose of the Full Employment and Balanced Growth Act of 1977 to coordinate, integrate, and improve the policies and programs of the Federal Government, toward achievement of the objectives of such Act through better management, increased efficiency, and attention to long-range as well as short-range problems. Although it is the purpose under the Act to seek diligently and to encourage the volun-

tary cooperation of the private sector of the economy in helping to achieve the objectives of the Act, no provisions of the Act are intended nor shall be used, with respect to any portion of the private sector of the economy, to provide for Government control of production or employment or allocations of resources, except to the extent authorized under other legislation.

"(e) The Congress further declares that it is the purpose of the Full Employment and Balanced Growth Act of 1977 to maximize and place primary emphasis upon the expansion of private employment, and all programs and policies under the Act shall be in accord with this purpose. In moving toward the goals for reduction of unemployment, the objective shall be to maintain trends in the ratio of private employment to civilian public employment similar to those from 1947 to the time of enactment of the Full Employment and Balanced Growth Act of 1977, which would mean a numerical growth in private employment several times as large as the numerical growth in civilian public employment. Toward this end, the effort to expand jobs to the full employment level shall be in this order of priority: (a) expansion of conventional private jobs through improved use of fiscal and monetary policies and other policies made available under the Full Employment and Balanced Growth Act of 1977; (b) expansion of private employment requiring Federal

assistance in connection with some of the priority programs specified in such Act; (c) expansion of public employment under other programs specified in such Act, not including the reservoir projects under section 206 of such Act; and (d) only as a last resort under section 206 of such Act and subject to the limitations therein, the creation of reservoirs of public and private nonprofit employment projects.".

ECONOMIC GOALS AND THE ECONOMIC REPORT OF THE PRESIDENT

SEC. 103. Section 3(a) of the Employment Act of 1946 is amended to read as follows:

"SEC. 3. (a) The President shall transmit to the Congress not later than January 20 of each year an economic report (hereinafter called the 'Economic Report') setting forth for each year—

"(1) current and forseeable trends in the levels of employment, production, and purchasing power and a review and analysis of economic conditions affecting these economic trends in the United States;

"(2) annual numerical goals for employment, production, and purchasing power that are designed to achieve balanced growth and full employment of the Nation's human and capital resources as promptly as possible;

"(3) a numerical long-term full employment goal which is (A) consistent with the minimum level of frictional unemployment necessary for efficient job search and mobility in the labor force, and (B) consistent with the aggregate long-term economic goals and priorities set forth in the Full Employment and Balanced Growth Plan required under section 3A; and

"(4) the programs and policies for carrying out the policy declared in section 2 of this Act, as well as the numerical economic goals of paragraph (2) of this subsection, together with such recommendations for legislation as the President deems necessary or desirable in order to achieve full employment and balanced growth as promptly as possible.".

FULL EMPLOYMENT AND BALANCED GROWTH PLAN

SEC. 104. The Employment Act of 1946 is amended by adding after section 3 the following new section:

"FULL EMPLOYMENT AND BALANCED GROWTH PLAN

"SEC. 3A. (a) In conjunction with the first Economic Report after enactment of this section, or within ninety days after the enactment of this section, whichever may come earlier, and thereafter in conjunction with each annual Economic Report, the President shall transmit to the Congress a proposed Full Employment and Balanced Growth Plan, pre-

pared with the assistance of the Council of Economic Advisers, and in consultation with the Office of Management and Budget. The Plan shall propose, in quantitative and qualitative terms, and for the number of years feasible, long-term national goals related to full employment, production, purchasing power, and other essential priority purposes, and the major policies and programs, including recommendations for legislation, to achieve such goals and priorities. In developing the goals, the President shall take into account the level and composition of each factor needed to maintain economic balance and full resource use and to meet priority needs.

"(b) The Full Employment and Balanced Growth Plan shall set forth the foreseeable trends in economic and social conditions, provide estimates of the unmet economic and social needs of the Nation, and identify the human, capital, and national resources available and needed for the achievement of the economic and related social goals and priorities established in the Full Employment and Balanced Growth Plan.

"(c) The Full Employment and Balanced Growth Plan shall contain long-term economic goals as follows—

"(1) full employment goals set at the number of jobs to be provided for adult Americans in order

to reduce unemployment to the minimum level of frictional unemployment consistent with efficient job search and labor mobility;

"(2) full production goals set at the levels of output estimated to be yielded by achievement of the full employment goals as defined above, with expected improvements in productivity; and

"(3) full purchasing power goals set at levels estimated to be necessary for attaining and maintaining full employment and production while contributing to an equitable distribution of purchasing power.

"(d) (1) In carrying out the provisions of paragraph (1) of subsection (c), the full employment goal shall be consistent with a rate of unemployment not in excess of 3 per centum of adult Americans twenty years of age or older in the civilian labor force, to be attained as promptly as possible, but within not more than four years after the enactment of the Full Employment and Balanced Growth Act of 1977. Concurrently with this, the objective shall be to reduce unemployment among those aged 16 through 19 as rapidly as feasible, including reduction of the ratio of the rate of unemployment among teenagers to the rate of unemployment among those twenty years of age and older as rapidly as feasible. Toward the reduction of unemployment among teenagers, there shall be full utilization of sec-

tion 205 of the Full Employment and Balanced Growth Act of 1977, and utilization of other provisions of that Act to the extent relevant. In addition, the President shall from time to time make such other recommendations to the Congress as he or she deems desirable to facilitate the reduction of unemployment among teenagers.

"(2) In achieving the goals set forth in subsection (c), the President shall include the objective of holding the annual rate of consumer and other price increases to levels consistent with reasonable price stability. To accomplish this objective, the President shall take full advantage of the specific structural programs called for in title II of the Full Employment and Balanced Growth Act of 1977, which promote the achievement of the full employment goal established in paragraph 1 of subsection (c) without excessive price increases. In selecting appropriate policies and programs for achieving full employment, the President shall have the objective of preventing a rise in the annual rate of consumer and other price increases above such rates on the date of enactment of this Act. Achievement of reasonable price stability shall be sought through the methods set forth in section 107 and elsewhere in the Full Employment and Balanced Growth Act of 1977, and shall not be sought through any weakening of the goals and timetable relating to reduction of unemployment.

"(3) Within one year of the date of enactment of the Full Employment and Balanced Growth Act of 1977, the President shall review the full employment goals and timetable required by this section and report to Congress on any obstacles to their achievement, and, if necessary, propose corrective economic measures to insure that the full employment goals are achieved.

"Priorities, Policies, and Programs

"(e) To contribute to the achievement of the general economic goals established in sections 3(a)(2) and 3A(c) of this Act, the Full Employment and Balanced Growth Plan shall propose priority policies and programs that comprise a full employment program that provides productive non-wasteful jobs and that reorder national priorities and employ the jobless in the production of goods and services which add to the strength of the economy, the wealth of the Nation, and the well-being of the people. Such policies and programs shall not be set forth in the programmatic detail developed by specialized Federal agencies, and by others in the public and private sectors, but only sufficiently to furnish an integrated perspective of our needs and capabilities and as a long-run guide to optimum private, Federal, State, and local government action. Priority policies and programs to support full employment and balanced growth shall initially include—

"(1) development of energy, transportation, small business, and environmental improvement policies and programs required for full employment and balanced economic growth, and required also to combat inflation by meeting full economic levels of demand;

"(2) development of policies and programs related to (a) food and fiber requirements for full employment and balanced growth and to help combat inflation, (b) the needed labor force and capital in agriculture to meet food and fiber requirements, (c) the income needs of farmers to encourage production of food and fiber in accord with the above requirements and moving farm families toward parity of income, this including recognizing the economically disadvantaged segments of the agricultural economy which suffer more from underemployment due to seasonal or disaster-related factors than unemployment, (d) measures to discourage the excessive migration of farm families to urban areas, including encouragement of supplementary nonfarm work and income for farm families, and (e) improved equalization of necessary public facilities and services for farm families with those provided for other families;

"(3) the quality and quantity of health care, education and training programs, child care and other human services, and housing, essential to a full economy and

moving gradually toward adequacy for all at costs within their means;

"(4) Federal aid to State and local governments, especially for public investment and unemployment related costs;

"(5) national defense and other needed international programs; and

"(6) such other priority policies and programs as the President deems appropriate.

"(f) The President shall establish procedures to insure that members of the Cabinet, relevant regulatory agencies, other relevant officers of the executive branch, and the Chairman of the Advisory Committee on Full Employment and Balanced Growth have an opportunity to review and make recommendations to the President prior to his or her submission of the Full Employment and Balanced Growth Plan to the Congress. The annual reports of departments and agencies shall include reports on any actions and studies undertaken related to the implementation of the Full Employment and Balanced Growth Plan.

"(g) At the time of the submission of the proposed Full Employment and Balanced Growth Plan to the Congress, the President shall transmit copies of the Plan to the Governor of each State and to other appropriate State and local officials. Within sixty days after the submission to Con-

gress of the proposed Full Employment and Balanced Growth Plan, the Governor of each State may submit to the Joint Economic Committee a report containing findings and recommendations with respect to the proposed Plan. Any such report submitted by a Governor shall include the views and comments of citizens within the State, after public hearings have been held within the State. A Governor may, if he or she so desires, submit at any time to the Joint Economic Committee such additional reports or information in respect to matters placed by this Act within the responsibility of the Joint Economic Committee as the Governor deems advisable."

ECONOMY IN GOVERNMENT

SEC. 105. (a) The Congress finds and declares that widespread duplication and contradiction among Federal departments and agencies, the failure to establish long-term priorities, lack of adequate information on the impact of Federal regulations and programs, and the lack of a process for developing more efficient alternatives for achieving the Nation's priorities are impeding the Federal Government in efficiently implementing full employment and balanced growth policies. The Congress further declares that genuine efficiency in Government requires time and planning. Accordingly, it is the purpose of this section to utilize the comprehensive planning framework established by section 104

to improve the efficiency and economy of the Federal Government.

(b) In carrying out this section, the President shall, in conjunction with the submission of each Full Employment and Balanced Growth Plan, submit proposals for improving the efficiency and economy of the Federal Government, including, but not necessarily limited to—

(1) a review of existing Government rules and regulations to determine if they still serve a public purpose and are properly designed; and

(2) an annual evaluation of 20 per centum of the dollar volume of existing Federal programs which are in effect each year, and the submission to Congress of a formal analysis of the economic and social impact and value of each program.

FISCAL AND MONETARY POLICIES

SEC. 106. (a) The Employment Act of 1946 is amended by inserting after section 3A, as added by this Act, the following new section:

"FISCAL AND MONETARY POLICIES

"SEC. 3B. (a) The President's Budget and Economic Report shall be consistent with the Full Employment and Balanced Growth Plan, and the Economic Report shall set forth for each year the following:

"(1) The level and composition of Federal expenditures,

measured against estimated capabilities at full employment and production, necessary to support the annual economic goals proposed in section 3 and to support the Full Employment and Balanced Growth Plan, taking into account the role of the private sector and of State and local governments in supporting these purposes. The President shall also make a determination of the extent to which the use of aggregate fiscal and monetary policy, without the supplementary employment policies provided in the Full Employment and Balanced Growth Act of 1977, will achieve the production, employment, purchasing power, and priority goals required in sections 3 and 3A. Whenever the economy is operating at full production and employment, or subjected to excessive overall strain, the general principle to be followed is that priority expenditures established in section 3A (e) shall not in general be reduced, allowing for some variations for countercyclical purposes, so long as it is feasible to reduce relatively less important expenditures, or to resort to means set forth in paragraph (2) below.

"(2) Federal tax policy consistent with expenditure levels in paragraph (1) of this subsection necessary to (A) balance the Federal budget under conditions of full production, employment, and purchasing power, (B) restrain excessive economic activity and inflation when total demand threatens to exceed the Nation's capabilities at full employ-

ment, (C) avoid fiscal drag upon the economy during any periods of substantial economic slack, and (D) contribute to the needed level and distribution of purchasing power.

"(3) A monetary policy designed to assure such rate of growth in the Nation's money supply, such interest rates, and such credit availability, including policies of credit reform, allocation, and international capital flows as are conducive to achieving and maintaining the full employment, production, purchasing power, and priority goals specified in sections 3 and 3A.

"(b) The Board of Governors of the Federal Reserve System shall transmit to the President and the Congress, within fifteen days after the transmission of the Economic Report or the Full Employment and Balanced Growth Plan, whichever may come earlier, an independent statement setting forth its intended policies for the year ahead with respect to its functions, the extent to which these policies will support the achievement of the goals in section 3 and section 3A, and a full justification for any substantial variations from the President's goals and recommendations. If the President determines that the Board's policies are inconsistent with the achievement of the goals and policies proposed under this Act, the President shall make recommendations to the Board and to the Congress to insure closer conformity to the purposes of this Act."

ANTI-INFLATION POLICIES

SEC. 107. (a) Section 3 of the Employment Act of 1946 is amended by adding at the end thereof the following:

"(d) The Economic Report shall each year contain a comprehensive set of anti-inflation policies, including, but not necessarily limited to—

"(1) a comprehensive information system to monitor and analyze inflationary trends in individual economic sectors, including information on the international sector, so that the President and Congress can be alerted to developing inflation problems and bottlenecks;

"(2) the use of monetary and fiscal policy geared to the capabilities of the economy operating at full employment as provided in section 3B;

"(3) programs and policies in the Full Employment and Balanced Growth Plan for increasing the supply of goods, services, labor, and capital in structurally tight markets, with particular emphasis on increasing the supply of food and energy;

"(4) the establishment of stockpile reserves of food and other critical materials in order to meet emergencies such as floods and famines and to maintain reasonable price stability and adequate farm income;

"(5) encouragement to labor and management to increase productivity within the national framework of

full employment through voluntary arrangements in industries and economic sectors;

"(6) recommendations to strengthen and enforce the antitrust laws and such other recommendations as are necessary to increase competition in the private sector; and

"(7) recommendations for administrative and legislative actions to promote reasonable price stability if situations develop that seriously threaten national price stability.

COUNCIL OF ECONOMIC ADVISERS

SEC. 108. (a) The second sentence of section 4(a) of the Employment Act of 1946 is amended by inserting "full" immediately after "promote".

(b) (1) Section 4(c)(1) of such Act is amended by inserting immediately before the semicolon a comma and the following: "and the Full Employment and Balanced Growth Plan".

(2) Section 4(c)(4) of such Act is amended by inserting "full" immediately after "maintain".

(c) (1) Section 4(e)(1) of such Act is amended by inserting immediately before the semicolon a comma and the following: "and shall consult with the Advisory Committee established under section 6."

(2) Section 4(e) of such Act is amended by striking

out the period at the end of paragraph (2) and inserting in lieu thereof a semicolon, and by adding after such paragraph (2) the following:

"(3) In this connection, the Council is authorized and directed to seek and obtain the cooperation of the various executive and independent agencies in the development of specialized studies essential to its responsibilities."

ADVISORY COMMITTEE ON FULL EMPLOYMENT AND BALANCED GROWTH

SEC. 109. The Employment Act of 1946 is amended by adding at the end thereof the following new section:

"ADVISORY COMMITTEE ON FULL EMPLOYMENT AND BALANCED GROWTH

"SEC. 6. (a) To furnish advice and assistance to the Council of Economic Advisers in the preparation and review of the Economic Report and Full Employment and Balanced Growth Plan, there is established an Advisory Committee on Full Employment and Balanced Growth, which shall consist of—

"(1) four members appointed by the President;

"(2) four members appointed by the Speaker of the House of Representatives; and

"(3) four members appointed by the President pro tempore of the Senate.

"(b) The Committee shall elect a Chairman, and shall

meet at the call of the Chairman, but not less than twice a year. The members of the Advisory Committee shall be appointed for terms of two years from among representatives of labor, industry, agriculture, consumers, and the public at large, who are especially competent by virtue of background and experience to furnish advice to the Council on the views and opinions of broad segments of the public on matters involved in the formulation and implementation of goals and policies for full employment and balanced growth.

"(c) Each member of the Advisory Committee shall be entitled to be compensated at a rate equal to the per diem equivalent of the rate for an individual occupying a position at level III of the Executive Schedule under section 5314 of title 5, United States Code, when engaged in the actual performance of his or her duties as such a member, and each member shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of his or her duties.

"(d) The Advisory Committee is authorized to establish regional, industry, and special advisory subcommittees to furnish advice and assistance to it. Each such subcommittee shall consist of at least one member of the Advisory Committee and shall be broadly representative of the particular region or industry, including business, labor, consumer interests, and other interested groups.

"(e) The Chairman of the Council of Economic Advisers shall furnish the Advisory Committee with such personnel, facilities, and services as he or she deems necessary to enable the Advisory Committee to perform its functions under this Act.".

TITLE II—COUNTERCYCLICAL, STRUCTURAL, AND YOUTH EMPLOYMENT POLICIES

STATEMENT OF PURPOSE

SEC. 201. It is the purpose of this title to establish supplementary employment policies to close the employment gap, if one should exist, between the levels of employment achieved through aggregate monetary and fiscal policy and the employment goals established in sections 3 and 3A of the Employment Act of 1946. Accordingly, this title establishes a system of comprehensive and flexible employment policies to create jobs in both the private and public sectors of the economy that encourages the optimum contribution of the private sector and State and local governments toward the achievement of the goals and purposes of this Act. These supplementary employment policies shall vary according to economic conditions and the other actions taken under this Act, but shall have the broad objective of reducing cyclical, structural, regional, and youth unemployment, and unemployment due to discrimination. It is also

the purpose of this title to establish a Full Employment Office within the Department of Labor to use special means for training and providing employment for those people who are otherwise unable to find employment. It is the further purpose of this title to mandate improved integration of income maintenance programs and full employment policies.

COUNTERCYCLICAL EMPLOYMENT POLICIES

SEC. 202. (a) (1) The Congress finds and declares that—

(A) the Nation has been unprepared to promptly implement employment policies during periods of economic downturn and resultant high unemployment;

(B) existing policies are so diffused and fragmented at all levels of government that it has been impossible to implement a comprehensive countercyclical employment program in a coordinated manner; and

(C) the lack of a coherent, flexible, countercyclical employment policy reduces the prospects of the Nation solving economic and related social problems which threaten fundamental national interests and objectives, including those specified by this Act.

(2) It is the purpose of this section to require the development of a coherent and flexible countercyclical employment policy, creating jobs in both the private and public sectors that are valuable to States, local communities,

and the Nation, and thereby reducing employment gaps that may remain despite the appropriate implementation of other provisions of this Act.

(b) (1) To carry out the provisions of this section, the President shall within ninety days after the date of enactment of this Act transmit to the Congress a comprehensive proposal, together with such legislation as is necessary, which shall establish on a permanent basis the range of supplementary employment policies and programs necessary to reduce high unemployment arising from cyclical movements in the economy. The countercyclical action provided for in this section relates to periods of high unemployment, regardless of the stage of the business cycle.

(2) In establishing the component parts of such a comprehensive proposal, and making a determination of the role of each, the President should consider the following programmatic entities—

(A) countercyclical public service employment;

(B) accelerated public works, including the development of standby public works projects;

(C) State and local countercyclical grant programs as specified in section 203;

(D) the levels and duration of unemployment insurance;

(E) skill training in both the private and public

sectors, both as a general remedy, and as a supplement to unemployment insurance;

(F) youth employment programs as specified in sector 205;

(G) a community development program to provide employment in activities of value to the States, local communities (including rural areas), and the Nation; and

(H) augmentation of other employment and manpower programs that would prove helpful in meeting high levels of unemployment from cyclical causes.

(c) To insure that the component parts of the countercyclical proposal establishes an integrated and flexible program, the President shall—

(1) utilize existing employment and training mechanisms as appropriate;

(2) provide for advance planning for countercyclical employment programs among the Federal Departments and agencies;

(3) provide for an automatic trigger or set of coordinated triggers that would implement the program during a period of rising unemployment, and phase out the program when unemployment is appropriately reduced;

(4) insure that allocation of employment assistance

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takes into account the severity and geographic distribution of unemployment, and the special needs of the unemployment groups within the labor force;

(5) provide for a well balanced combination of job creation and related activities in both the private and public sectors of the economy; and

(6) incorporate effective transitional mechanisms to facilitate individuals assisted under programs developed pursuant to this section to return promptly to regular private and public employment as the economy recovers.

COORDINATION WITH STATE AND LOCAL GOVERNMENT AND PRIVATE SECTOR ECONOMIC ACTIVITY

SEC. 203. (a) As an integral part of the comprehensive countercyclical employment policies established under section 202, the President shall set forth programs and policies to facilitate harmonious economic action among the Federal Government, regions, States and localities and the private sector to promote the (1) achievement of the goals and priorities of this Act and the Employment Act of 1946, and (2) an economic environment in which State and local governments and private sector economic activity and employment will prosper and essential services will be maintained.

(b) As a primary effort to meet the requirements of this

section, the President shall within ninety days after the date of enactment of this Act transmit to the Congress legislation creating a permanent grant program related to the stabilization and needed growth of State and local budgets. In formulating this proposal, the President shall endeavor to meet criteria that establish programs which are funded to take account of the fiscal needs and budget conditions of the respective States and localities and their own efforts, with accent upon the rates of unemployment in these respective States and localities.

REGIONAL AND STRUCTURAL EMPLOYMENT POLICIES

SEC. 204. (a) (1) The President shall within one hundred and eighty days after the date of enactment of this Act transmit to Congress a comprehensive regional and structural employment proposal, including such legislation as necessary, designed to reduce the chronic underutilization of human and capital resources in certain areas of the country and in groups within the labor force. In formulating the regional components of such a proposal, the President shall encourage private sector production and employment to locate within depressed regions, inner cities, and rural areas with substantial unemployment. The President's regional employment proposal shall also include an analysis of the extent to which Federal Government tax, expenditure, and employment policies have influenced the movement of people,

jobs, and industry from chronic high unemployment regions and areas, and proposals designed to correct Federal policies that have an adverse economic impact upon such regions and areas.

(2) In formulating the structural components of such an employment program, the President shall utilize existing employment and training mechanisms and other existing programs, as appropriate, and such other measures as necessary.

(b) To further meet the requirements of this section, the President shall transmit to the Congress, within one hundred and eighty days after the date of enactment of this Act, legislation providing an institutional means designed to encourage (1) public and private investment in economically depressed regions, inner cities, economic sectors, and rural areas with substantial unemployment; and (2) provide an alternative source of capital funds for local and State governments to finance public facilities. In formulating the legislation required by this section, the President shall include provision for—

(1) long-term loans at rates of interest no higher than the average rate of long-term Treasury borrowings plus service costs;

(2) capitalization through public stock and bond subscriptions, stock purchases by the State governments,

local governments, and businesses that benefit from the program, and financial assistance from the Federal Government; and

(3) criteria setting priorities for assistance to State and local government and businesses, with special attention to areas with unemployment rates consistently and significantly in excess of the national average or otherwise suffering severe economic dislocation, to achieve the objective of increasing employment in such areas, and increasing total employment.

YOUTH EMPLOYMENT POLICIES

SEC. 205. (a) The Congress finds and declares that—

(1) serious unemployment and economic disadvantage exist among youths, this group constitutes a substantial portion of the Nation's unemployment, and this significantly contributes to crime, drug addiction, and other social and economic problems;

(2) many youths have special employment needs and problems which, if not promptly addressed, will substantially contribute to more severe unemployment problems in the long run;

(3) a significant number of youths in certain areas even in the best of economic circumstances do not have adequate access to employment opportunities providing effective entry into the labor force; and

(4) existing employment programs for youth are fragmented and inadequate, and the special needs and problems of youth unemployment require the development of a permanent, comprehensive youth employment program which will meet the job needs of youth.

(b) To meet the requirements of subsection (a), the President shall transmit to Congress within ninety days after the date of enactment of this Act legislation creating a comprehensive youth employment program, which—

(1) utilizes the resources and facilities of existing youth employment and training programs that are designed to provide job opportunities for youths,

(2) provides for other policies and programs necessary to provide employment for youths, and

(3) contributes to carrying out the policies of this Act and the Employment Act of 1946.

(c) In formulating such a program, the President shall include provisions designed to—

(1) fully coordinate youth employment activities with other employment and manpower programs;

(2) develop a smoother transition from school to work by fostering a more effective partnership between educational and employment institutions, such as businesses, employer associations, and labor unions;

(3) prepare disadvantaged and other youths with

employability handicaps for regular self-sustaining employment through education, training, medical services, counseling, and other support activities;

(4) develop realistic methods for combining training with work, including apprenticeship and on-the-job training in the private sector; and

(5) provide job opportunities for youths in a variety of tasks, including conservation, public service activities, inner city cleanup and rehabilitation, and other jobs of value to States, local communities, and the Nation.

FULL EMPLOYMENT OFFICE AND RESERVOIRS OF EMPLOYMENT PROJECTS

SEC. 206. (a) Further to promote achievement of full employment under this Act, the President, through the Secretary of Labor, shall develop policies, procedures, and programs to provide employment opportunities to adult Americans able, willing, and seeking to work but who, despite a serious effort to obtain employment, are unable to do so in the general economic environment, or through any of the other provisions of this Act.

(b) There is established within the Department of Labor a Full Employment Office to assist the Secretary of Labor in providing the employment opportunities required under subsection (a). Under the supervision of the Secretary of

Labor, the Office shall be phased in consistent with subsection (d) of this section.

(c) In meeting the responsibilities to provide job opportunities under subsection (a) and after full utilization of the Comprehensive Employment and Training Act of 1973, the Secretary of Labor shall, as appropriate—

(1) assure that counseling, training, and other support activities necessary to prepare persons willing and seeking work for employment is provided under the Comprehensive Employment and Training Act of 1973, including the use of section 110 of such Act when necessary; and

(2) refer persons able, willing, and seeking to work to job opportunities in the private and public sectors through the existing public employment placement facilities and through the United States Employment Service, including job opportunities in positions drawn from sections 202, 204, and 205 of this Act.

(d) Only to the extent that adult Americans able, willing, and seeking work are not provided with the private job opportunities which are the first and major purpose of this Act, nor provided with job opportunities under section 206(c) or through other programs under this Act, such opportunities shall be provided by the President through reservoirs of federally operated public employment

projects and private nonprofit employment projects approved by the Secretary of Labor. Such projects shall not be put into operation less than two years after the enactment of this Act, nor without a finding by the President, transmitted to the Congress, that other means of employment are not yielding enough jobs to be consistent with attainment of the goals and timetable for the reduction of unemployment set forth in this Act. The Congress hereby establishes the policy that such projects shall be so designed as not to draw any workers from private employment to such reservoir projects. The jobs under such reservoir projects shall be useful and productive jobs. Nonetheless, such jobs shall be mainly in the lower ranges of skills and pay, and toward this end the number of reservoir jobs shall, to the extent practicable, be maximized in relationship to the appropriations provided for such jobs. The number and nature of such reservoirs of employment projects shall be determined in conjunction with the policies and programs of the Full Employment Office established under subsection (b) and the other job creation provisions of this Act. The provisions of this subsection shall be phased in by the President, in conjunction with the annual employment recommendations required under section 3 of the Employment Act of 1946, in order to achieve a rate of unemployment not in excess of 3 per centum as established by section 3A (d) of

such Act, and to achieve the objective for the reduction of unemployment among teenagers as set forth in paragraph 1 subsection (d) of section 3A of the Employment Act of 1946.

(e) The Secretary, in carrying out the provisions of this section, shall establish such regulations as he or she deems necessary. Such regulations shall include provisions for—

(1) an initial determination by the Full Employment Office of the job seekers' ability to be employed at certain types and duration of work so that he or she may be appropriately referred to jobs, training, counseling, and other supportive service;

(2) compliance with the nondiscrimination provisions of this Act in accordance with section 401;

(3) such priority criteria as may be appropriate to establish the order in which persons able, willing, and seeking to work are provided jobs under this section, so that such persons who most need employment are given first consideration and, in determining the priority order, the Secretary shall consider such factors as duration of unemployment, number of people economically dependent upon any such person, expiration of unemployment insurance, household income, and any other factors essential to determining employment need;

(4) appropriate eligibility criteria to limit access to the program authorized under subsection (d), including but not limited to such criteria as household income, duration of unemployment (not less than eight weeks), and refusal to accept or hold a job other than a job under subsection (d) except for good cause as determined by the Secretary of Labor, including refusal to accept or hold a job subject to reference under subsection (c) paragraph (2), in order to seek a reservoir project job under subsection (d); and

(5) such administrative appeal procedures as may be appropriate to review the initial determination of the abilities of persons willing, able, and seeking to work under clause (1) of this subsection and the employment need and eligibility under clauses (3) and (4) of this subsection.

Compliance with the requirements of clause (4) of this subsection relating to a person's eligibility for assistance may be satisfied by an affidavit submitted by persons seeking assistance. If such person knowingly provides false information in any such affidavit, he or she shall be ineligible for any assistance under this section and shall, in addition, be subject to prosecution under section 1001 of title 18, United States Code.

INCOME MAINTENANCE AND FULL EMPLOYMENT POLICIES

SEC. 207. (a) Congress finds and declares that to achieve the goals of full employment and balanced growth it is essential that the employment policies prescribed by this Act and the Employment Act of 1946 give adequate attention to (1) providing quality jobs that improve the work environment, strengthen income and eliminate substandard earnings; (2) improving and integrating existing public and private income maintenance programs with the full employment policies of this Act and the Employment Act of 1946; and (3) substituting work for income maintenance to the maximum extent feasible, taking account of the need for adequate income maintenance among those who cannot be brought within the full employment policy.

(b) To meet the requirements of this section, the President shall within ninety days after the date of the enactment of this Act transmit to Congress a proposal, together with such legislation as is necessary, analyzing the relationship of income maintenance needs, existing income maintenance programs, and the full employment policies required by this Act and the Employment Act of 1946, and make recommendations on how the income maintenance and employment policies can be integrated to insure that employment

is substituted for income maintenance to the maximum extent feasible.

TITLE III—POLICIES AND PROCEDURES FOR CONGRESSIONAL REVIEW

STATEMENT OF PURPOSE

SEC. 301. The purposes of this title are—

(1) to establish procedures for Congressional action and review with respect to the Economic Report, the Full Employment and Balanced Growth Plan, the report of the Board of Governors of the Federal Reserve System, and the other policies and provisions of this Act and the Employment Act of 1946; and

(2) to establish a Division of Full Employment and Balanced Growth within the Congressional Budget Office.

GENERAL CONGRESSIONAL REVIEW

SEC. 302. (a) To provide for comprehensive economic and employment policies to meet the objectives of this Act and the Employment Act of 1946, and to provide Congress with guidance on these matters, the appropriate committees of the Congress shall review and revise, to the extent deemed desirable, the economic goals, priorities, policies, and programs proposed under such Acts by the President and the Board of Governors of the Federal Reserve System. The Congress shall initiate or develop such legislation as it deems

necessary to implement these proposals and objectives, after such modification in such proposals as it deems desirable. Nothing in this Act shall be construed to prevent the Congress or any of its committees from considering or initiating at any time action to implement this Act.

(b) In addition to its responsibilities under the Employment Act of 1946 with respect to the Economic Report, the Joint Economic Committee shall carry out overall review of executive branch policies under this Act, with special attention to general economic conditions, the setting of national economic goals in the Economic Report, the Full Employment and Balanced Growth Plan, and the relationship of economic policy measures to the fulfillment of the goals and priorities established under this Act and under the Employment Act of 1946.

(c) In addition to their responsibilities under the Congressional Budget Act of 1974, the Committee on the Budget of the Senate and the Committee on the Budget of the House of Representatives shall review, in conjunction with reporting concurrent resolutions on the budget under the Congressional Budget Act of 1974, the fiscal policy, economy in government policies, and Federal budget priorities recommended by the President.

(d) The other appropriate committees of Congress shall

review and report on those policies or programs implemented or submitted which relate to matters within the jurisdiction of each such committee.

CONGRESSIONAL REVIEW OF ECONOMIC GOALS IN ECONOMIC REPORT

SEC. 303. (a) In conjunction with its review of the Economic Report, and the holding of hearings on the report, as required under the Employment Act of 1946, the Joint Economic Committee shall review and analyze the annual numerical goals for employment, production, and purchasing power recommended by the President in fulfillment of section 3 of the Employment Act of 1946. Subsequent to such a review, the Joint Economic Committee shall make recommendations to the Congress on the appropriate annual numerical goals for employment, production, and purchasing power, subject to the requirements of section 3A (d) of the Employment Act of 1946 relating to those periods when unemployment is to be reduced to given levels.

(b) Section 301 (a) of the Congressional Budget Act of 1974 is amended—

(1) by striking out "and" at the end of clause (5);

(2) by redesignating clause (6) as clause (7); and

(3) by inserting after clause (5) the following new clause:

"(6) numerical goals for employment, production, and purchasing power; and".

(c) The second sentence of section 301(c) of the Congressional Budget Act of 1974 is amended to read as follows: "The Joint Economic Committee shall also submit to the Committees on the Budget of both Houses its recommendations as to the fiscal and monetary policies appropriate to the goals of the Employment Act of 1946. The Joint Economic Committee shall further submit to the Committees on the Budget of both Houses, in accordance with section 3 of the Employment Act of 1946, recommendations on annual numerical goals for employment, production, and purchasing power designed to achieve full employment of the Nation's human and capital resources as promptly as possible. These recommendations shall be incorporated by the Committee on the Budget of each House in the first concurrent resolution on the budget referred to in subsection (a) reported by that committee, with modifications if necessary to fulfill the objectives of the Full Employment and Balanced Growth Act of 1977, and to meet the requirement of section 3A of the Employment Act to achieve full employment within not more than four years after the

enactment of the Full Employment and Balanced Growth Act of 1977. In the event that the Committee on the Budget of either House modifies the annual numerical goals for employment, production, and purchasing power recommended by the Joint Economic Committee, that Budget Committee shall provide its reasons for such modification in the report accompanying the first concurrent resolution.

CONGRESSIONAL REVIEW OF FULL EMPLOYMENT AND BALANCED GROWTH PLAN

SEC. 304. (a) Each proposed Full Employment and Balanced Growth Plan transmitted to the Congress by the President under section 3A of the Employment Act of 1946 (hereafter in this section referred to as a "Proposed Plan") shall be referred to the Joint Economic Committee. Within sixty days after receipt by the Congress of a Proposed Plan, each standing committee of the Senate and the House of Representatives and each joint committee of the Congress shall submit to the Joint Economic Committee a report containing its views and recommendations with respect to aspects of the Proposed Plan which relate to matters within the jurisdiction of such committee or joint committee.

(b) The Joint Economic Committee shall hold hearings for the purpose of receiving testimony from the Members of Congress, appropriate representatives of Federal departments and agencies and such representatives of the

general public and interested groups as the joint committee deems advisable. The joint committee shall also consider the comments and views on the Proposed Plan which are received from State and local officials.

(c) Not later than one hundred and five days after the submission of a Proposed Plan to the Congress, the members of the Joint Economic Committee who are Members of the House of Representatives shall report to the House, and the members of the joint committee who are Members of the Senate shall report to the Senate, a concurrent resolution which shall state in substance that the Congress approves or disapproves the Proposed Plan, in whole or in part, and which may contain such alternatives to, modifications of, or additions to the Proposed Plan as the joint committee deems appropriate and in accord with the purposes of this Act and the Employment Act of 1946. The report accompanying such concurrent resolution shall include findings and recommendations of the joint committee with respect to each of the main recommendations contained in the Proposed Plan.

(d) (1) When a concurrent resolution referred to in subsection (c) has been reported to the House of Representatives it shall at any time thereafter be in order (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the

concurrent resolution. The motion shall be highly privileged and not debatable. An amendment to the motion shall not be in order, nor shall it be in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

(2) General debate on any such concurrent resolution in the House of Representatives shall be in the Committee of the Whole House on the State of the Union, and shall be limited to not more than ten hours, which shall be divided equally between those favoring and those opposing the concurrent resolution. A motion further to limit debate shall not be debatable.

(3) Except to the extent specifically provided in the preceding provisions of this subsection, consideration in the House of Representatives of any such concurrent resolution and amendments thereto (or any conference report thereon) shall be governed by the Rules of the House of Representatives applicable to other bills and resolutions, amendments, and conference reports in similar circumstance.

(e) (1) Debate in the Senate on a concurrent resolution referred to in subsection (c), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than ten hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees.

(2) Debate in the Senate on any amendment to any

such concurrent resolution shall be limited to two hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution. Debate on any amendment to an amendment, and debate on any debatable motion or appeal shall be limited to one hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of the concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) A motion in the Senate to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed three, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to one hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(4) The conference report on any such concurrent

resolution shall be in order in the Senate at any time after the third day (excluding Saturdays, Sundays, and legal holidays) following the day on which such a conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

(5) During the consideration in the Senate of the conference report on any such concurrent resolution, debate shall be limited to two hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to thirty minutes, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(6) Should the conference report be defeated in the Senate, debate on any request for a new conference and the appointment of conferees shall be limited to one hour to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to thirty minutes, to be equally divided between, and controlled by, the mover and the manager of the conference

report. Debate on any amendment to any such instructions shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(7) In any case in which there are amendments in disagreement, time on each amendment in the Senate shall be limited to thirty minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

(f) Upon adoption of a concurrent resolution under this section with respect to any Proposed Plan, the concurrent resolution shall serve as a long-term guide to the Congress with respect to legislation relevant to the goals, priorities, policies, and programs recommended in the Proposed Plan, as modified by the concurrent resolution. A copy of the concurrent resolution shall be transmitted to the President by the Clerk of the House of Representatives or the Secretary of the Senate, as appropriate, for such actions as the President deems appropriate.

DIVISION OF FULL EMPLOYMENT AND BALANCED GROWTH

SEC. 305. (a) There is established within the Congressional Budget Office a Division of Full Employment and Balanced Growth (hereafter in this section referred to as the "Division") to perform long-term economic analysis. The Division shall be headed by a Deputy Director who shall perform his or her duties under the supervision of the Director of the Congressional Budget Office and shall perform such other duties as may be assigned to him or her by the Director. Such Deputy Director shall be appointed in the same manner, serve for the same period, and receive the same compensation as the Deputy Director provided for in section 201 of the Congressional Budget Act of 1974.

(b) It shall be the first responsibility of the Division to assist the Joint Economic Committee in the discharge of its duties under this Act by providing, as the Joint Economic Committee may request—

(1) information with respect to long-term economic trends, national goals, resource availability, and the methods available to achieve full employment and balanced economic growth;

(2) information necessary for the preparation of the report and concurrent resolution referred to in section 304(c); and

(3) such related information as the committee may request.

(c) At the request of any committee of the House of Representatives or the Senate, or any other joint committee of the Congress, the Division shall provide to such committee or joint committee the information necessary to fulfill its responsibilities under this Act.

(d) At the request of any Member of the House or Senate, the Division shall provide to each Member any information necessary to fulfill his or her responsibilities under this Act.

EXERCISE OF RULEMAKING POWERS

SEC. 306. (a) The provisions of this title (other than section 305) are enacted by the Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House), at any time, in the same manner and to

the same extent as in the case of any other rule of such House.

TITLE IV—GENERAL PROVISIONS

NONDISCRIMINATION

SEC. 401. (a) No person in the United States shall on the ground of sex, age, race, color, religion, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this Act, including membership in any structure created by this Act.

(b) Whenever the Secretary of Labor determines that a recipient of funds under this Act has failed to comply with subsection (a), or an applicable regulation, he or she shall notify the recipient of the noncompliance and shall request such recipient to secure compliance. If within a reasonable period of time, not to exceed sixty days, the recipient fails or refuses to secure compliance, the Secretary of Labor is authorized (1) to refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted, (2) to exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), or (3) to take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General

pursuant to subsection (b), or whenever he or she has reason to believe that a recipient is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in the appropriate United States district court for any and all appropriate relief.

(d) To assist and evaluate the enforcement of this section, and the broader equal employment opportunity policies of this Act, the Secretary of Labor shall include, in the annual Employment and Training Report of the President, a detailed analysis of the extent to which the enforcement of this section achieves affirmative action in both the quantity and quality of jobs, and for employment opportunities generally.

(e) In moving to reduce unemployment in accord with the goals and timetable set forth in this Act, every effort shall be made to reduce the differences between the rates of unemployment among women, minorities, and other labor force groups and the overall rate of unemployment, with the ultimate objective of removing them entirely. Insofar as these differences are due to discrimination, the non-discrimination provisions of this section, as well as other provisions of the Act, shall be utilized. Insofar as these differences are due to lack of training and skills, occupational practices, and other relevant factors, the Secretary of

Labor shall take such action as he or she can to achieve the objectives of this paragraph; shall make studies, develop information, and make recommendations toward remedying these differences and include these in the annual Employment and Training Report of the President; and, if deemed necessary, make recommendations to the Congress within ninety days related to the objectives of this paragraph.

LABOR STANDARDS

SEC. 402. The policies and programs implemented and provided for by this Act, and funded in whole or in part through this Act, shall provide that persons employed pursuant to such policies and programs are paid equal wages for equal work, and that such policies and programs create a net increase in employment through work that would not otherwise be done. The President shall insure that any person employed in a reservoir project under section 206(d) or in any other job utilizing funds provided in whole or part under this Act shall be paid not less than the pay received by others performing similar work for the same employer, and in no case less than the minimum wage under the Fair Labor Standards Act of 1938 as amended. No person employed under section 206(d) shall perform work of the type to which the Bacon-Davis Act, as amended (40 U.S.C. 276a–276a–5) applies. Any recommendation by the President for legislation to implement any program under this Act, re-

quiring the use of funds under this Act, and submitted pursuant to the requirements of this Act, shall contain appropriate wage provisions based upon existing wage standard legislation.

AUTHORIZATIONS

SEC. 403. There is authorized to be appropriated such sums as may be needed to carry out the provisions of this Act. Notwithstanding any other provisions of this Act, no provision shall be construed to require expenditures in excess of amounts appropriated pursuant to this Act.

DEFINITIONS

SEC. 404. (a) "Fiscal drag" as used in section 106 means tax and expenditure rates which, in combination, substantially impede attainment (or maintenance) of full employment, production, and purchasing power.

(b) "Balanced growth" in the Full Employment and Balanced Growth Plan means projecting and achieving (1) the relationship between production or supply capability and demand, and (2) the relationships among the growth rates of private investment, private consumer expenditures, and public outlays, and also (3) the purchasing power, including important components of each element mentioned in (1), (2), and (3) above, required to achieve and then maintain full employment and production and appropriate servicing of national priorities, these to be promoted by the programs

and policies set forth in this Act and by encouragement of voluntary cooperation within the private sector (for example, between labor and management) and between the Government and the private sector.

(c) "Frictional unemployment" means the lowest level of unemployment, determined on the basis of evolving experience, consistent with labor mobility, changing job patterns, freedom of job choice, and sufficient job search on a voluntary basis.

95TH CONGRESS
1ST SESSION

H. R. 2992

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1977

Mr. HAWKINS introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

To authorize appropriations for fiscal year 1978 for carrying out the Comprehensive Employment and Training Act of 1973 as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there are authorized to be appropriated such sums as may be necessary for the fiscal year ending September 30, 1978, for carrying out the provisions of titles I to VII of the Comprehensive Employment and Training Act of 1973, as amended.

I

Mr. HAWKINS. The Subcommittee on Employment Opportunities is called to order. The Chair would like to welcome the new members of the committee who are present this morning. In the order in which their names appear on the roster, I would like to welcome Mr. Myers of Pennsylvania, Mr. Ted Weiss of New York and Mr. Corrada from Puerto Rico.

Gentlemen, we welcome you.

For the purpose of beginning the hearing, the Chair will read an opening statement and then will solicit the comments of any of the members who would like to make remarks in addition to the opening statement.

The hearings we are commencing today are, in my view, of immense importance, and I am sure that the other members of the subcommittee agree. This importance goes beyond the specifics of the bills now before us—H.R. 50, the CETA extension and amendment, elements of youth employment, the President's stimulus package, and other bills—highly significant though they are.

For these hearings provide the opportunity, and indeed the challenge, to examine the problem of unemployment in the context of the entire economic situation, both short range and long range. I have some concern that this full perspective has not been taken sufficient account of either in the proposals sent to the Congress by the executive branch or in those which have originated within the Congress itself.

And I am thoroughly convinced that, without this broad perspective, the results will be as inconclusive and unsatisfactory as the many previous efforts to deal with unemployment during the course of the five business cycles we have experienced during the past 24 years to date.

For these reasons, I have submitted a series of questions to those being invited to these hearings, and I hope that their testimony and the discussions of the subcommittee itself will focus to the extent feasible upon these questions, of course, without exclusion of any other issues which the members of the subcommittee or the witnesses desire to raise or to discuss.

The questions which I have posed are these: the adequacy of the proposed programs to reduce unemployment; the relative merits of tax reduction and direct Federal outlays to create jobs, in terms of the reduction of unemployment; the issue of the extent to which the jobs created under the new programs will be of economic and social value—temporary or permanent—in terms of the goods and services produced and to what extent the jobs will be directed toward development of goods and services related to the pressing priorities of our national economic and social needs; consideration of technological trends affecting relative employment opportunities in various sectors of the economy; analysis of fundamental and chronic proposed will reduce or remove these, so that the restorative movement may be both adequate and permanent, instead of resulting within another year or two in a period of stagnation and recession such as we have experienced a number of times since 1953; through examination of the actual relationship between the amount of unemployment and the amount of inflation, including whether or not the tradeoff is actually operative under modern economic conditions; consideration of whether the supplementation of macroeconomic measures with microeconomic

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measures can combine achievement of full employment with reasonable price stability.

My own extensive study has convinced me that the tradeoff does not exist under modern conditions and many others have come to share this view. But I would ask those who still believe in the tradeoff to answer this question: What have been the economic, social, and civil costs of massive and prolonged idleness of workers and other productive resources during the past quarter century? And can we not find better ways to restrain inflation than through contriving, or at least tolerating, these devastating losses in real wealth and well-being?

Combined with these questions, and related to all of them, I have requested testimony as to the types of improved planning by the Federal Government and the mechanisms required therefore, in order that we may substitute a comprehensive, consistent, and fully effective porgram for relatively fragmentized, disjointed, and insufficiently effective measures.

In my view, this necessarily involves H.R. 50, the "Full Employment and Balanced Growth Act of 1977," now also before this subcommittee in revised and improved form. Recognizing the importance and urgency of the more limited and specialized measures before the subcommittee, it by now appears to me clear that we will never work out a fully satisfactory program to deal with unemployment and related issues, except under the discipline and direction which the enactment into law of H.R. 50 alone will provide.

I therefore would like the witnesses before the subcommittee to make such comments as they can with respect to H.R. 50. This need not unnecessarily delay action on such bills as CETA which some believe should be passed before we clarify our long-range economic objectives.

We meet at a very critical juncture. The reduction in unemployment, as reported for January, was largely meaningless because of the recognized reasons for it; and even reported unemployment of 7.3 percent in January is shockingly high. This subcommittee now has the opportunity to make a powerful contribution toward beginning in earnest and adequately to remove the curse of massive unemployment from the face of our country—a curse whose evils afflict not only the unemployed and their families, but the entirety of our economic, social and civic life. I am extremely hopeful that these hearings will help to get us moving in the proper direction.

Are there other comments from any other members of the committee?

If not, we will then proceed with the first witness.

May the Chair announce at this point that I did receive a communication from the ranking minority member of the full committee, Mr. Albert Quie, in which he raised the question of the shortness of the notices which were directed to the members of the committee and raised the issue of whether or not the committee should proceed without the necessary 48-hour notice, as well as a week's notice for the holding of this particular meeting.

I now would like, without objection, to have the letter inserted in the record at this point, in the event that at any time the question of a point of order does arise with respect to the holding of a meeting without the necessary compliance of that particular rule. However, the

rules indicate that the subcommittee chairmen may determine that there is good cause to begin such a hearing at an earlier date.

I am not invoking that particular clause, however, and will recognize the point of order, if one is raised, as to the shortness of the time.

I would like to inform the committee that the Speaker of the House, as well as others, have asked me if I can speed up the hearings with a possibility that upon reconvening after the recess, that we can, in a very limited time, report a bill, presumably the Comprehensive Employment and Training Act, to the House with the earliest possible dispatch.

I recognize there would not be much time left in this month, once we reconvene on February 16th. It seems to me, that any meetings that we hold at this time will give us just that much added back-up to direct the committee into a constructive approach to reporting a bill.

We are therefore proceeding and will, as I say, recognize at any time a point of order which may be raised against the time in which we have used to speed up the process.

[The letter of Mr. Quie referred to follows:]

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C., February 4, 1977.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Subcommittee on Employment Opportunities, House Office Building Annex I, Washington, D.C.

DEAR MR. CHAIRMAN: This is to question your decision to schedule hearings before the Subcommittee on Employment Opportunities on Tuesday, February 8th and Thursday, February 10th, and to request that you reschedule these hearing to a later date. As you know, Rule 12 of the Committee on Education and Labor, just adopted this week (February 1st), states, in part, the following:

"(a) The Chairman in the case of hearings to be conducted by the committee and the appropriate subcommittee chairman, in the case of hearings to be conducted by a subcommittee, shall make public announcement of the date, place, and subject matter of any hearing to be conducted on any measure or matter at least *one week* [emphasis added] before the commencement of that hearing unless the committee or subcommittee determines that there is good cause to begin such hearing at an earlier date. In the latter event the Chairman or the subcommittee chairman whichever the case may be shall make such public announcement at the earliest possible date. The clerk of the committee shall promptly notify the Daily Digest Clerk of the Congressional Record as soon as possible after such public announcement is made."

In this case I have been provided only two days and four days prior notice respectively. I also understand that a witness list will not be available until just prior to the hearing. Further, I would like to point out that the later hearing has been scheduled to coincide with the Congressional Recess when many Members will be back in their home districts. I want to point out that Chairman Perkins stated, during the full Committee organization session, that every effort would be made to provide a witness list for all Members at least 48 hours in advance of scheduled meetings, as well as his general commitment that all the Rules of the Committee would be faithfully followed.

It would seem to me that the subject matter which you propose to consider, i.e., a comprehensive review of the President's economic stimulus package, H.R. 50 and related proposals would warrant adequate time for all Members to properly prepare themselves to consider these important subjects.

I would like to make certain that the Minority be as cooperative as possible, but we need to have the Committee stay within the spirit of the Rules to do it.

With best wishes, I am

Sincerely,

ALBERT H. QUIE,
Member of Congress.

88-156 O - 77 - 5

Mr. HAWKINS. Mr. Sarasin, you were not present when I opened the meeting. I made an opening statement and had several comments thereon. I did insert in the record a letter from Mr. Quie in which he indicated that we had not fully complied with the rules of the committee.

I am not asking necessarily for you to direct your attention to that point, but I did want to allow you to make any opening statement or comments that you care to make at this time, at the opening of these hearings.

Mr. SARASIN. Thank you, Mr. Chairman. I will not make any opening statement, to avoid any further delay, and I will not press a point of order, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Sarasin.

The first witness to appear before the committee this morning is Hon. Kenneth Gibson, mayor of the city of Newark, N.J., and also acting in the role as president of the U.S. Conference of Mayors.

Mayor Gibson, it is a pleasure to welcome you as the first witness before the committee this morning. I would like to extend to you, as a personal friend, best wishes and commendation on the very excellent job that you have been doing, both as mayor of one of our great cities as well as in your role as president of the U.S. Conference of Mayors.

We look forward to your testimony this morning. Certainly, we are more than pleased that you are the opening witness before this rather, I think, historic series of meetings.

STATEMENT OF HON. KENNETH GIBSON, MAYOR, CITY OF NEWARK, N.J., AND PRESIDENT, U.S. CONFERENCE OF MAYORS

Mr. GIBSON. Thank you, Mr. Chairman. I appreciate your very warm welcome, and want to commend you and the committee for your championship of full employment. Certainly it is important to the cities that we represent, and certainly to my own city, the city of Newark.

I am Kenneth A. Gibson, mayor of the city of Newark, and president of the U.S. Conference of Mayors. We would like to ask that our full statement be entered into the record and also, Mr. Chairman, a copy of the U.S. Conference of Mayors' Report entitled "A National Urban Investment Program."

Mr. HAWKINS. Without objection, the documents will be entered into the record.

[The material referred to follows:]

PREPARED STATEMENT OF KENNETH A. GIBSON, MAYOR OF NEWARK, N.J., PRESIDENT, U.S. CONFERENCE OF MAYORS

Chairman Hawkins, Members of the Subcommittee on Employment Opportunities. My name is Kenneth A. Gibson, Mayor of the City of Newark, New Jersey and President of the United States Conference of Mayors. It is indeed a pleasure to appear before you today to discuss the future of a program which has done more than any other to restore confidence in the traditional American axiom: "A job for every citizen who wants to work." It is also a peculiarly appropriate time—given the devastating economic slump worsened by the severe energy crisis—to discuss the Comprehensive Employment and Training Act (CETA).

CETA is unique for a variety of reasons. First, it was the initial effort of Congress to decategorize and decentralize the diverse federal training and employment programs, and provide a comprehensive, coordinated approach to federal financial assistance to state and local governments for manpower activities. Second, CETA created a mechanism—the prime sponsor—for controlling in an equitable and logical fashion the administration and delivery of needed training and employment services. Lodging primary authority for implementing Manpower programs in the political jurisdiction was a wise and prudent course.

Despite early problems with delays in creating job slots and Labor Department guidelines which, in many instances, subverted the intent of the legislation to leave as flexible as possible policy decisions made by prime sponsors, CETA has been a demonstratedly successful program which deserves reauthorization at increased funding levels.

What I would propose to do before this Subcommittee is outline a series of major issues relating to CETA reauthorization from the perspective of our nation's Mayors, and then to discuss the relationship and role of CETA in President Carter's economic stimulus package.

Like any relatively new program which has now had a number of years to work through the rough spots, CETA experience has pointed our nation's Mayors and Manpower planners to certain guides for the future operation of the program.

First, eligibility for prime sponsorship. As someone who stands in the arena of escalating local unemployment and fiscal instability, and who first hand has the data at his disposal to address uniquely local needs, I wholeheartedly endorse the existing concept of prime sponsorship and would strongly resist any significant changes. The singularity of the CETA prime sponsor and the political jurisdiction affords the clout to insure that Manpower programs are coordinated in the best interests of all the people of a jurisdiction, and, at the same instance, accords the prime sponsor the flexibility and speed with which to expeditiously address special local problems

Attempts to mandate funding of community-based groups or other units of government, Councils of Government or school districts by bypassing the prime sponsor, would be counterproductive to the original intent of CETA. Furthermore, existing prime sponsors have taken affirmative steps to involve community-based groups in the planning and implementation of city-wide Manpower efforts. If responsibility is divided, then the accountability for the effectiveness of the CETA program will be divided.

Second, funding, hold-harmless, and the allocation formula. Needless to say, given funding adequate to insure each prime sponsor dollar amounts that are at least comparable to the previous year, many of our concerns over hold-harmless and the allocation formula become less significant. But, it is, nevertheless, important to highlight these issues.

The 90 percent hold-harmless provision with a decrease of 10 percent annually has been pernicious to larger cities. Chicago, for example, which received $41 million prior to CETA, will be allocated because of "hold-harmless", only $22 million this year. Baltimore has slipped from $16 million to $8 million, and my own City of Newark has been reduced from $10 million to less than $8 million this year. If it were not so sad, it would be almost laughable to refer to such a provision as a "hold-harmless" clause. Compounding the consequences of this provision is the fact that it reduces CETA funds in many jurisdictions which face enormous increases in joblessness.

This situation cries for a remedy, and we would suggest that it include a combination of increased funding to assure that all prime sponsors receive formula share increases to sustain current funding levels, and a permanent 100 percent hold-harmless clause geared to this year's level of funding.

If it is feasible to revise the elements of the formula allocation so that CETA funds are targeted to areas of greatest need, we would urge such a change. But, we would also warn that "targeting" concepts are not the same as categorization by earmarking or specific set-asides. Rather, targeting involves formula changes and the concomitant redistribution without restricting prime sponsor flexibility by creating presumptive deliverers of Manpower services.

Third, public service employment. In a recent publication entitled "A National Urban Investment Program" (which I would like to make part of the Record), The U. S. Conference of Mayors called for the creation of 750,000 public service jobs by the end of Fiscal Year 1977. In light of the joblessness caused by the energy crisis this figure may be modest, but, it is certainly a reasonable bench-

mark for study and consideration by this Subcommittee and the Congress as a whole. No program creates jobs as quickly and would have as salutory an impact on the economic crisis the public service jobs program.

A further comment on public service jobs is appropriate given the recent guidelines on Title VI of CETA issued by the Labor Department of the "former Administration". Those guidelines would limit prime sponsors' discretion in using Title VI emergency jobs funds by mandating that 30 percent of that money be expended through "projects", that is, contracting out to community-based groups and other private, nonprofit agencies. While it is likely that the prime sponsor would allocate at least that amount through these groups anyway, it is repugnant to the purpose of CETA in decategorizing programs to earmark an amount to be spent in this fashion.

Finally, let me say that from the information we have gathered, prime sponsors would have no difficulty in absorbing these additional public service job slots.

Fourth, youth employment programs. It may be backneyed, but it is nevertheless true, that our young people are our nation's greatest asset. It is unforgivable given this tenet that the current unemployment rate among youth is 20 percent, and, among minority youth, concentrated in our cities, the rate is close to 40 percent.

The development of a youth employment program as part of CETA must be a priority of this Subcommittee if we are to insure our future economic and social viability. CETA is the proper mechanism for this endeavor since it provides an inplace structure for ready assimilation of the young into training and employment programs. It also would provide the necessary instrument of coordination between all employment programs whether they be designed for youth or adults.

While youth unemployment is generally severe, it is particularly acute during the summer months. The U.S. Conference of Mayors recently surveyed 86 of the largest cities to determine the number of additional CETA Title III Summer Youth Employment slots cities could absorb above their 1976 summer level. The survey reflected that cities could hire and find jobs for 70 percent more youth than were served last summer. This represents 1,496,000 youth slots at a dollar cost of approximately $890 million.

In addition, the surveyed cities reported that if the OMB poverty guideline for participation in the summer program, which is $5,500 for a family of four, was relaxed, they could increase by 100 percent over last summer the number of youths employed this summer. This increases the total CETA summer program level to 1,760,000 at a cost of approximately $1.1 billion.

We would urge the Subcommittee to consider expansion of the Title III summer jobs program in accordance with this data.

Fifth, vocational education. Progress has been made between vocational education entities and prime sponsors in developing a rapport and agreement on the use of the 5 percent CETA funds for vocational education. However, this Subcommittee should begin modification of the legislation to designate clearly the final recipient of the 5 percent funds. It should not be necessary for prime sponsors to barter for funds that were clearly intended to be used in a prime sponsor's jurisdiction.

Sixth, the employment service. Under CETA, there are not, nor should there be, presumptive deliverers of Manpower services. Prime sponsors should have the option of developing cooperative relationships with the employment service to minimize or eliminate duplication of effort, but such arrangements should be established only to the extent that they can be developed locally conditioned upon the individual performance of the local employment service. Dictates which emanate from Washington should not burden local prime sponsors with undesired and counterproductive contractual relationships with the employment service.

Finally, private sector involvement. Inclusion of the private sector, particularly in training programs, is an eminently sensible approach if there is to be any utility in training programs. Industry needs are best understood and identified by the private sector. Their active involvement would insure that training would lead to available and meaningful job opportunities.

These are just some of the major concerns of the U.S. Conference of Mayors as we look to reauthorization of the CETA program. I would hope that other specific issues and legislative proposals could be discussed between our respective staffs during the coming months. CETA reauthorization is one of the top priori-

ties of the Conference and we stand ready to afford this Subcommittee whatever assistance we can in assuring its re-enactment.

Let me briefly comment on what I see as the role CETA has in President Carter's stimulus package. I would be less than candid if I expressed total satisfaction with the President's stimulus program. As you can see from a comparison with our "National Urban Investment Program", there are a number of spending categories in which the Administration proposal falls short of our marks. Unfortunately, two of those categories—countercyclical assistance and CETA Title II and VI programs—are vital to the fiscal stability of our nation's cities and recovery of the national economy. The Conference of Mayors is pleased that the House Budget Committee has increased fiscal year 1977 spending for these two programs to levels greater than those proposed by the President. The Budget Committee's action makes good economic sense. Countercyclical fiscal assistance and public service jobs, together with public works make up what the Conference considers to be a necessary comprehensive and sound urban economic recovery package. Each of these programs is designed to address a particularly acute problem in our cities: public works funds for necessary capital improvements postponed due to lack of revenues; countercyclical fiscal assistance for cities with inadequate operating revenues to maintain basic municipal services; and, public service jobs to provide meaningful employment for the vast numbers of our people for whom private sector jobs are not available.

These three programs must be in place and operative at the same time. If not, the effectiveness of each will be substantially reduced. For example, if countercyclical assistance funds are inadequate to meet the shortfalls in local revenues and service cutbacks are necessary, cities will be forced to use CETA funds to retain their regular employees rather than use them for the purpose Congress intends—that is, to employ the unemployed. These two federal assistance efforts—public service employment and countercyclical fiscal assistance—must be viewed as working in a complementary fashion to increase the total number of employed persons in our cities.

At the very least, by the end of fiscal year 1977, 750,000 public service jobs should be created. Since 310,000 now exist, and another 200,000 were included in the Second Budget Resolution, the remainder of 240,000, or 60,000 per month, is a modest total figure by the end of the present fiscal year. The total cost of these additional public service jobs would be approximately $2.5 billion. This is certainly not an extravagant investment when the returns in human and social terms are weighed. Our cities can absorb those added jobs, and we urge you to consider this course.

Mr. Chairman, Members of the Subcommittee. Your deliberations and proposals concerning the reauthorization of CETA will have a crucial impact on the future economic recovery of our nation. But, more importantly, your conduct with respect to this program can restore to many Americans a dignity which is lost when a person who wants to work is forced to accept public assistance to survive. I urge you to follow the prudent course and reauthorize CETA at increased funding levels.

Thank you for your time and attention.

A NATIONAL URBAN INVESTMENT PROGRAM

UNITED STATES CONFERENCE OF MAYORS

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TELEPHONE 293-7330
(AREA CODE 202)

UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET, NORTHWEST
WASHINGTON, D. C. 20006

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This document is based upon the Resolutions adopted by the United States Conference of Mayors at the 44th Annual Meeting in June, 1976, in Milwaukee, and the further refinement of those Resolutions at the Emergency Meeting of Mayors in November, 1976, in Chicago.

No new policies were discussed or adopted at the Emergency Meeting. Rather, more than 100 Mayors who are members of the U.S. Conference of Mayors Standing Committees met at that time, the weekend following the Presidential election, to prioritize an urban agenda for the new Administration. In addition to delineating the most pressing needs of the nation's cities, the Mayors further defined specific methods of implementing and financing the proposals.

Out of these deliberations came this National Urban Investment Policy of the U.S. Conference of Mayors. The success of this urban action agenda rests squarely on the commitment and cooperation of the President, the Congress, and the Mayors.

Kenneth A. Gibson
President

December, 1976

OVERVIEW

Without additional economic stimulus in the Fiscal Year 1977 federal budget, the human catastrophe of unemployment will continue and may worsen, spelling economic disaster well into the future and cutting revenues needed to finance new programs. Cognizant of the fact that the new Administration and Congress already are beset with a series of domestic and international problems, the U.S. Conference of Mayors, the organization of the elected officials closest to the people, herein defines the most pressing urban problems and recommends methods to implement and finance corrective programs. In view of the urgency of the cities' problems, the Conference of Mayors calls upon the Carter Administration and the 95th Congress to make revitalization of the cities the number one item on their agenda.

An additional $20 billion budget stimulus in FY '77 clearly is necessary to ensure that the recovery moves at a faster pace and to generate future revenues required for revitalizing the cities. At least $12.3 billion of the stimulus package should consist of public works, deferred maintenance, countercyclical assistance, public jobs, and other fast-spending programs needed to counteract the neglect of our nation's cities during the past few years. These programs create more jobs than tax cuts. However, for stimulative action on the revenue side of the budget, the preferred course would be a one-time rebate of 1976 taxes, targeted to low- and middle-income taxpayers, coupled with a refundable credit for the poor rather than a general lowering of rates reducing future revenues needed for new programs.

The National Urban Investment Policy advocated by the U.S. Conference of Mayors contains recommendations for five program initiatives to attack the immediate problems:

- An action agenda to assure the fiscal stability of local government.

- An action agenda to address the human needs.

- An action agenda to address the preservation and development of a city's infrastructure and its capital assets.

- An urban economic development program combining public assistance and private investment.

- A concentrated effort to consolidate, integrate, and improve existing federal urban assistance programs.

The persistent and pervasive defects in our social/economic/political order are manifested most tragically in the central cities. This is truly the urban dilemma -- the economy may get well, but the cities will remain chronically ill. We seek a creative partnership with the Carter Administration dedicated to working for a way through the morass of "hard core" unemployment and urban economic development.

In advocating our National Urban Investment Program for action by the Carter Administration and the 95th Congress, we are willing to show how new program initiatives are to be financed. As local elected officials, we know how to be fiscally responsible. Considering the federal budget as a whole, it will be necessary to undertake the following actions in combination to finance the urban agenda:

- Increasing revenues by accelerating economic recovery with a spending stimulus.

- Controlling or shifting financing for some domestic programs.

- Controlling or shifting funding of the military budget.

- Controlling detrimental tax expenditures (losses of revenue from tax loopholes).

- Expanding the public sector in relation to the private sector.

Clearly, such actions require top-level decision making and support. But the time has come when those tough choices need to be made and implemented. The U.S. Conference of Mayors is prepared to work unstintingly with the new Administration and new Congress in ensuring that these program initiatives, made possible through such actions, are put in place. Together we truly can reshape the urban fabric in America.

A NATIONAL URBAN INVESTMENT PROGRAM

Today we are on the threshhold of change in America. When the American people went to the polls on November 2, they elected a new President, a man who promised significant and sustained change and who pledged to work with us in redressing the economic imbalance in our nation's cities. Immediately after the election, President-elect Carter spoke of a "new spirit" in America. We, the Mayor's of the nation's cities, sense this too. We believe that because of the new spirit among our President and our people that we have a new opportunity to forge a federal/city alliance that will reshape the entire urban fabric.

The weekend after the election, the United States Conference of Mayors held an emergency meeting to develop an urban agenda for the human and economic recovery of our cities. Out of the deliberations of the Mayors at that meeting came the request that the Carter Administration and the 95th Congress develop a new National Urban Investment Policy. Such a policy is based on a national tone of concern for urban America -- where 75 percent of the American people live -- and access to Executive and Congressional leadership. Only with a serious and sustained commitment to urban America and an active and continuous partnership among the President, the Congress, the Mayors, and the people can this challenge be met squarely and successfully.

The Conference of Mayors called upon President-elect Carter to embrace the kind of Presidential commitment and attention that President Johnson gave to civil rights legislation in the mid-1960's. He did not just ask Congress to act. He gave the subject day-to-day priority and used all of his influence and skill to enact and implement the Civil Rights Act of 1964 and the Voting Rights Act of 1965. The Mayors called upon the new President and his Administration for this kind of commitment to all of the people in the nation's cities.

An immediate economic stimulus was defined by the Mayors as the Number One priority for the new Administration. Without additional economic stimulus in the FY '77 budget, they said, the human catastrophe of unemployment will continue and may worsen, spelling economic disaster well into the future. Moreover, without this immediate spending stimulus, there will be insufficient federal revenues to finance new programs.

The Mayors recommended additional spending in several vital program areas which requires emergency action by the Congress on needed spending measures and a third budget resolution. Some key programs needing immediate attention are accelerated public works, deferred maintenance, countercyclical fiscal assistance, and the Comprehensive Employment and Training Act programs.

To prioritize immediate economic stimulus as the most pressing need of the cities is not to denigrate the other urgent problems. The litany of human needs in our cities is staggering and an immediate economic stimulus is the single best way to finance -- in a concerted, comprehensive, and unified manner -- a solution to these problems.

The National Urban Investment Policy prescribed by the Conference of Mayors has five major elements:

- An action agenda to assure the fiscal stability of local government.

- An action agenda to address the human needs.

- An action agenda to address the preservation and development of a city's infrastructure and its capital assets.

- An urban economic development program combining public assistance and private investment.

- A concentrated effort to consolidate, integrate, and improve existing federal urban assistance programs.

The success of any National Urban Investment Policy is predicated on the strength, vitality, and health of our cities' greatest resource -- its people. Too many of the able-bodied are without work; too many of the young will never know the advantages of work and its fundamental rewards. Too many of our people have had to learn to live on welfare. All of this in the richest country of the world.

The Mayors called upon the Carter Administration and the new Congressional leadership as well as all members of the 95th Congress to give immediate attention to unemployment and human needs. Our people need, want, and must have jobs so that they may again contribute to society. This is both social justice and economic good sense. There are pockets of unemployment in some cities that exceed 30 percent. Meanwhile, the federal government is spending nearly $15 billion this year on unemployment benefits. Every one percent of national unemployment costs the federal government $20 billion in lost revenues and recession-related spending. Jobs must be created.

While some of the elements in the National Urban Investment Policy require new legislation, it is significant to note that many do not. If the Carter Administration did no more than

coherently organize the federal grants program, it would have accomplished a feat of no small magnitude. Urban grant programs often work at cross purposes. A National Urban Investment Policy must include consolidation and cohesion of the federal urban agenda which by one count now totals nearly 1,800 separate grant programs.

Federal programs not intended to impact on cities are increasing our urban problems. For example, federal tax policies encourage investment in new structures rather than the preservation of existing buildings, thus encouraging new urban sprawl at the expense of already established neighborhoods.

Further complicating the problem, in the past two years local governments have been forced to work at cross purposes with the economic policies of the federal government. They have been forced to raise taxes while the federal government was attempting to stimulate the economy by cutting taxes. A study by the Joint Economic Committee shows that during 1976 local and state governments cut services or raised taxes by nearly $8 billion.

If the elements of our National Urban Investment Policy are to be put in place with maximum effectiveness, the Mayors of our nation's cities must have access to the White House and an open dialogue with the Congressional Leadership. How this access is to be accomplished is not the real issue. The issue is that a new federal/city relationship is necessary to ensure that the federal bureaucracy is made responsive to the needs of the cities.

To shelter the homeless or feed the hungry is an act of mercy. But to enable a person to provide his own shelter, his own food and clothing and education, is an even more human and noble act. We believe that the new spirit in America, together with the leadership of the new Administration, the Congress, and the commitment of the Conference of Mayors, can portend an end to the costly, demeaning handouts of the past decade and signal the restoration of dignity to man. The Conference of Mayors will strive for no less.

IMMEDIATE STIMULUS

Unless a substantial budget stimulus is applied early in 1977, the recession will continue far into the future, prolonging human suffering, wasting productive capacity, and cutting future federal revenues needed to finance essential programs at all levels of government.

The economic indicators are very ominous. The unemployment rate has climbed to 8.1 percent -- the highest level in 1976. Real GNP growth in the third quarter slowed to 3.8 percent, which is inadequate to provide jobs for new entrants into the labor force. The "GNP gap," a measure of goods and services lost because of unemployment, is still running at an annual rate of over $200 billion in current prices. In fact, the gap widened in the last quarter. If President Ford's projections prevail, the GNP loss occasioned by this deep and long recession may well top $1 trillion by 1980. As the index of leading economic indicators tells us, things are not getting better. Weaker than expected capital spending, an $18 billion shortfall of federal spending, the likely OPEC hike in oil prices, state and local budget problems, and balance of trade deficits add to the prospect of a stalled economic recovery and support the case for an emergency stimulus.

The shortfall of outlays in FY '76 and the Transition Quarter makes clear the need to administer programs effectively to ensure that the intended fiscal impact is achieved. The Carter Administration should take whatever steps are necessary to get already appropriated FY '77 funds out into the economy.

The Stimulus. A stimulus is needed in FY '77 above the level of spending set by the Second Congressional Budget Resolution, to ensure a significant pickup in the recovery. The largest portion of the stimulus should be in the form of increased spending for job-producing programs.

Additional spending should be sought in several vital program areas, to be accomplished first through a Third Budget Resolution for FY '77 followed by emergency Congressional action on needed spending measures. With a strong push by the Carter Administration and the new Congressional leadership, these actions are feasible.

We propose increasing spending through existing programs during the remainder of FY '77 as follows:

PROPOSED STIMULATIVE SPENDING PROGRAMS -- FY '77

Summary	Net Increase in Outlays Over 2nd Budget Resolution
Accelerated public works/deferred maintenance	$4.0 billion
Countercyclical fiscal assistance	3.5
Public jobs: CETA Title I, II, and VI	2.5
EPA construction	.2
Medicaid	.9
Rail rehabilitation and improvement finance	.2
Education	1.0
Total Spending Stimulus	$12.3 billion

Program Description

Accelerated public works/deferred maintenance $4.0 billion

To date, grant applications totalling nearly $20 billion are chasing only $2 billion in funds. Thus, it is clear that the program could absorb more money, especially if program regulations are broadened to include deferred maintenance projects which can be started immediately, will employ many people, and spend money quickly.

Countercyclical fiscal assistance $3.5 billion

An additional $300 million is required simply to maintain the present program, since unemployment rates have been higher than originally anticipated. To absorb the additional $3.2 billion, the formula for distribution of countercyclical funds should be revised to target more money to those cities with greatest need.

Public jobs:	CETA Title I	$ .5 billion
	CETA Titles II and VI	2.0 billion

Public service jobs fill a desperate need on the local level for a strong mechanism to deal with high urban unemployment rates. CETA Title I Correction of the 90 percent hold-harmless provisions, under which many large communities are losing money, would add at least $500 million to present budget ceilings. CETA Titles II and VI CETA jobs should be increased to 750,000 from the present level of 310,000 by September 1, 1977.

EPA construction $ .2 billion

Faster repayment to states and cities for expenditures made under the reimbursable EPA Construction Program would help many cities in a budget crunch. This year's repayment should be doubled from $200 million to $400 million.

Medicaid $ .9 billion

At present the federal government pays approximately 57 percent of Medicaid benefits, estimated to total $18 billion in FY '77. Raising the federal share to 67 percent would give some fiscal relief to the states and cities, freeing local funds for other uses. The cost of such a move would be roughly $900 million for the last six months of FY /77.

Rail rehabilitation and improvement finance $ .2 billion

A backlog of rail rehabilitation projects could be initiated by enacting a $400 million appropriation and raising loan guarantees to $600 million under the present authorized program.

Education $1.0 billion

Raise appropriations to the existing authorization levels for some of the elementary, secondary, and higher education programs.

Total Spending Stimulus $12.3 billion

We have been advised that the immediate stimulus must be large enough to boost the real economic growth rate in 1978 to over 6 percent, if an adequate flow of revenues are to be generated for future program needs. The FY '77 stimulus should total $20 billion and consist principally of expenditure programs which create jobs.

To the extent that an adequate stimulus in FY '77 cannot be achieved through spending programs, action should be taken on the revenue side of the budget in the form of a one-time rebate of calendar year 1976 taxes coupled with a refundable tax credit for the poor. The rebate should be designed to promote maximum consumption, thereby achieving the greatest possible stimulative effect, by being targeted to benefit low-income people. A similar rebate of 1974 taxes had a revenue impact of $8.1 billion. A refundable tax credit would carry out these objectives by putting money into the hands of people so poor they paid no taxes at all in 1976.

In addition, a one-time payment of $50 could be provided for each recipient of benefits under Social Security, the Railroad Retirement Act, and Supplementary Security Income. A similar measure in 1975 cost the Treasury $1.7 billion.

Why Should Spending Be Preferred? There is an overwhelming need for the federal government to provide jobs for the unemployed and to improve and expand high priority services and facilities neglected during the Nixon/Ford period of using a soft economy to fight recession. Our cities still suffer severe fiscal problems resulting in layoffs, service cutbacks, tax increases, and postponed projects -- actions which counteract the proper efforts of the federal government to stimulate the economy. Furthermore, deferred maintenance of the urban infrastructure -- streets, water and sewer, transit systems, parks, and public buildings -- has contributed to the decay of our cities. It would be far better to spend money for these vital needs than to put a few dollars into each taxpayer's pocket. If the nation's infrastructure is allowed to deteriorate much further, our ability to achieve future growth will be severely restricted.

Job creation and public investment can be done quickly and efficiently only if a serious effort is made. Recommendations call for spending largely through exisitng programs rather than new programs. Legislatively, these spending proposals are no more difficult to enact than tax cuts. Administratively, the programs can absorb and disperse funds efficiently and effectively to create thousands of jobs. For example, grant applications for the accelerated public works program currently total nearly $20 billion, requests which are competing for a meager $2 billion. Additional funds for this program would provide badly needed dollars for labor-intensive deferred maintenance needs which have been ignored. These funds can be spent very rapidly.

Compared to spending, a tax cut is the least effective means for stimulating the economy. A Congressional Budget Office study documented the job impact of various forms of stimulus as follows:

ESTIMATED EMPLOYMENT IMPACT OF ECONOMIC STIMULUS OPTIONS AFTER 12 MONTHS

$1 Billion Program	Increase in Jobs (thousands)	Reduction Unemployment Rate (percent)
Public service employment	90 to 145	.08 to .13
Anti-recession aid to states and localities	70 to 97	.07 to .09
Accelerated public works	56 to 70	.06 to .07
Government purchases	40 to 70	.03 to .05
Income tax cuts	26 to 35	.02 to .03

Source: Congressional Budget Office, Temporary Measures to Stimulate Employment: An Evaluation of Some Alternatives, September 2, 1975.

Furthermore, general tax cuts cannot be targeted to poor people and problem areas nearly as effectively as spending programs operating under criteria and formulas reflecting need. Because the poorest members of our society often do not pay income taxes, a tax cut does not benefit them. A refundable tax credit could reach about 15 million people not affected by a general tax cut. Moreover, part of a tax cut usually flows into the hands of those with high incomes and ends up in savings accounts. For stimulating business activity, tax rebates and credits will be more effective than tax benefits to corporations; the former stimulates demand needed to sustain recovery.

Compared to a one-time tax rebate, a new temporary tax cut potentially can block or retard the implementation of new social programs during the next few years. A temporary tax cut could become permanent, and that would reduce the $60 billion fiscal dividend President-elect Carter projects for FY '81. In fact, the $60 billion will not be achieved if the temporary tax cut presently in effect is made permanent -- about $18 billion could be lost in FY '81 alone; the total loss over the next five years could be $56 billion. A one-time tax rebate provides immediate stimulus by means of a lump-sum payment, which, if Congress act promptly, could be made available to taxpayers when they receive their regular refund checks. Most importantly, the rebate will not diminish future revenues.

FISCAL STABILITY OF LOCAL GOVERNMENT

Local government itself must be healthy and viable. We are all too familiar with the fact that a number of our cities and their local governments are economically and fiscally depressed. Therefore, the Conference of Mayors advocates that the National Urban Investment Policy have, as an integral part, a fiscal stability component which contains, at a minimum, a general revenue sharing program and a permanent anti-recession fiscal assistance program.

- GENERAL REVENUE SHARING

This program, recently reenacted for another three and three-quarter years, is the cornerstone of the federal/local fiscal relationship. The program has proven to be successful. It assures maximum flexibility at the local level for Mayors to assess their own priorities and to allocate monies to address these priorities. The Conference of Mayors strongly supports the continuation of general revenue sharing with funding at a level which keeps pace with current rates of inflation.

Due to the national recession and persistent high rates of inflation of the past several years, the fiscal stability of local government has been seriously eroded and the revenue sharing program, by itself, is totally inadequate in addressing the fiscal needs of city government. A permanent anti-recession fiscal assistance program is necessary to assure local fiscal stability.

- PERMANENT COUNTERCYCLICAL FISCAL ASSISTANCE

For one and one-half years, the Conference of Mayors actively worked for a countercyclical fiscal assistance program to assist those cities experiencing the greatest fiscal difficulties due to the national recession. The program became law and was funded shortly before adjournment of the 94th Congress. Funding is at a $1.25 billion level for a five-quarter period, beginning July, 1976, and ending September, 1977. Due to persistent high rates of unemployment, there are insufficient monies authorized for the duration of the present program.

Purpose of Program: To provide fiscal operating assistance to those states and local governments having higher rates of unemployment and hardest hit by the national recession. During the past two years, local government has been forced to take actions which are counter to federal actions designed to stimulate the economy -- counter actions such as raising taxes, cutting back services and personnel, and deferring necessary capital works projects. The program is designed to prevent such actions by providing fiscal assistance to local government to maintain essential basic services.

Justification for Continuation: High unemployment persists at both the national and local levels and current estimates reveal that they will not decline significantly through FY '78. Local spending has dropped off, moreover, during the third quarter of this year. State and local government spending on goods and services declined during July, August, and September. This is particularly significant for the national recovery since, in FY '76, state and local spending accounted for approximately 11 percent of the nation's gross national product.

Structure of Permanent Program: The Intergovernmental Countercyclical Fiscal Assistance Program should be established as a permanent and automatic policy of countercyclical stabilization for local government with the assistance being triggered whenever the national unemployment rate reaches 5½ percent. Eligible recipients would be those cities and units of local government having excess rates of unemployment.

At 5½ percent, $2 billion would be available for distribution with an additional $1 billion for each 1 percent increase in the national rate of unemployment. The program should remain in effect as long as the national rate remains above 5½ percent.

- EMERGENCY CREDIT MARKET ASSISTANCE

The United States Conference of Mayors supports federal guarantees of taxable bonds for those municipalities facing financial emergencies. This assistance, given at the request of the city, would enable it to gain access to the credit market. Such taxable securities would be guaranteed only after stringent conditions were met such as the unavailability of credit from other sources and real evidence given that revenues are sufficient to cover repayment.

The Conference of Mayors stands ready to work with the new Administration and the 95th Congress in developing specific legislative proposals addressing emergency credit market assistance.

LONGER-TERM PROPOSALS

A. Human Needs

Firm in the conviction that stable economic recovery can be accomplished only with simultaneous human recovery, the U.S. Conference of Mayors defined specific recommendations in the areas of employment, health, youth, crime, aging, and welfare.

EMPLOYMENT

With pockets of unemployment in some urban areas approaching 30 percent, and affecting citizens who are least able to cope with the physical and psychological consequences of joblessness, the United States Conference of Mayors strongly urges immediate and pervasive federal attention to manpower training and full employment. Unemployment continues as the primary obstacle to the stability and health of our central cities.

Like many other federal programs, national attempts to address unemployment have been uncoordinated and fragmented. There has been little if any relationship between Labor Department efforts and the initiatives undertaken by other departments and agencies of government to combat unemployment.

Certain immediate steps need to be taken to address the continuing spiral of unemployment, the most essential being reauthorization of the Comprehensive Employment and Training Act (CETA). This vital legislation, through its training and public service employment components, provides an ongoing method for dealing with the longer-term and newly unemployed.

The reauthorization of CETA, however, must be accompanied with the following modifications. First, Congress and the Department of Labor must alter the administration of CETA to assure that prime sponsors possess the flexibility in implementing programs intended to address unique local concerns. While federal guidance and technical assistance

remain essential to the effective use of CETA funds, prime sponsors must not be so overburdened with federal requirements that they are unable to respond quickly and in an innovative fashion to local needs. Additionally, CETA Title I must be modified to ensure that funds are targeted to areas of low income and high unemployment. Title I must be amended also to authorize the creation of local economic development councils which would increase the level of private sector involvement and cooperation in local economic development and job creation. Furthermore, within the framework of CETA, there should be created a program of "bonus payments" to local governments which succeed in involving the private sector in job creating activities.

While these changes are being undertaken, the federal government also has a responsibility to develop long-term approaches and policies to treat the endemic causes of unemployment and idleness, and to reassess the structure and role of the Department of Labor in addressing these problems. At the very least, this review should include an increased emphasis on new methods of job training and private sector job creation in the public and private sectors.

Finally, Congress and the Department of Labor need to address the potential use of CETA funds for long-range economic development programs and for the increased productivity of public and private sector workers. Federal programs impacting on local economic development, job training, and job creation no longer can be viewed as mutually exclusive enterprises. Their interdependence must be explored and then exploited for the general good by the federal government.

HEALTH

This year, we will spend over $130 billion on health care -- an average of $600 for each man, woman, and child in our country. For a family of four, therefore, $2,400 of its income will be spent on health care. To compound the high costs reflected in this data is the projection that health care costs will double in the next five years. Yet, there are 14 other nations in this world that have lower infant mortality rates. America leads the developing nations of the world in the incidence of heart disease and cancer.

The maldistribution and shortages of health care personnel, particularly in our inner cities and other medically underserved areas, the lack of manpower on preventive health education and services in the workplace, schools and commu-

nities, generally lead to an unnecessary and increasingly large number of unhealthy city dwellers who lack access to affordable, quality care. Adequate health care is a basic responsibility of the federal government. The United States Conference of Mayors recommends the following initiatives to resolve this national problem.

- The enactment of a universal, comprehensive national health insurance program which, at a minimum, must include the following principles.

  -- Universal and mandatory coverage to lower the the present barriers to preventive and primary care for our citizens.
  -- Catastrophic insurance.
  -- Extensive research into better ways of ensuring preventive care.
  -- Special attention to educational efforts stressing the importance of good health and nutritional habits.
  -- Attention to special categories of Americans who are particularly susceptible to health problems.
  -- Cooperation between private and public insurers leading to efficient administration and effective delivery of services.

The Conference of Mayors recognizes that such a proposal might be constrained by budgetary limitations; however, the need for comprehensive national health insurance cannot be understated. The goal must be attained, and it may be achieved by a mechanism of phasing in coverage and benefits. Also needed to reform national health care initiatives are the following:

- Immediate and special attention toward the reform of our present Medicaid Program with increased emphasis on the delivery of preventive and curative health services in cities.

- An innovative program to improve the distribution of health personnel in medically underserved areas.

- Administrative changes in present federal health legislation to mandate procedures for the early and effective involvement of elected city officials in health systems agencies.

- A renewed federal commitment to identify relationships and coordinate responsibilities between manpower, drug and alcohol abuse, and health programs.

- A shift of focus in programs away from institutionalization and toward outpatient and home health services.

YOUTH

Chronic unemployment, now reaching a rate of 30 to 40 percent, exists among our cities' young people -- the greatest natural resource of our nation. Too many of them will never know the advantages of work and its fundamental rewards. Because of inadequate vocational preparation, our youth's access to work and service experiences have been overly restricted. When combined with the conditions of poverty, lack of recreational facilities, and dependency, this severe idleness leaves urban youth permanently disenchanted with the economic and social structure of our society, leading them to pursue illegitimate channels toward fulfillment.

Our nation's approach to youth problems has been and continues to be a patchwork of services and programs lacking any coordination or comprehensiveness. The United States Conference of Mayors vigorously endorses the following recommendations.

- Increased funding of current youth employment programs under Title III of CETA.

- The creation of a youth advisory function in the highest levels of the federal government to guarantee the recognition of youth problems in the development of new policy and programmatic initiatives.

- The development of a comprehensive local youth program based on collaborative relationships between local elected officials and their representatives, business, industry, educators, volunteer organizations, parents, youth, and other committed citizens.

As a longer-term method, Congress and the President must establish a comprehensive youth services policy, which cuts across disciplines to affect education, training, employment, and the other human and social needs of our young people. Such a policy must include:

- Emphasis on improving and expanding the role of education in the transition process of our young people from school to work and in helping our youth to develop and achieve broader career objectives throughout their working years.

- Programs combining training, work, and service experiences in both the public and private sectors.

- Opportunities for youth to work on urban restoration projects, community services programs, and local conservation projects.

- Improved access to and coordination of health, recreational, social service, juvenile justice, and other programs intended to ensure the health and productivity of our nation's young people

- Development of research tools to measure the needs of youth and the kinds of resources required to meet those needs.

CRIME

Nothing less than a national commitment to crime control and criminal justice will respond to the problem of crime in the United States, one of the most significant factors undermining the basic fabric of our society. It creates fear and destroys the mutual trust and confidence which are the foundations of a healthy and viable nation.

Over the past 40 years, many commissions, at all levels of government, have studied the complexities of crime in America. Many important recommendations have emerged from these deliberations. Yet, the problem of a coherent crime control policy persists both in crime prevention and criminal justice system improvement strategies.

When, in FY '76, the government created 90 different programs administered by 22 various departments and agencies to impact on crime prevention and criminal justice, neither the human nor the economic consequences of criminal violence could be adequately or effectively addressed. Mayors believe that reform of our criminal justice process can be achieved only if the organizational and administrative chaos that characterizes the nation's uncoordinated system of crime control is eliminated and a cooperative, intergovernmental and interdepartmental approach to crime control is achieved.

Recognizing the inseparable nexus between the levels of criminal violence and the deprivation of essential human needs, the United States Conference of Mayors urges the establishment, through the following specific recommendations, of a nationwide, coherent federal crime control policy with the essential policy-making role vested in the Department of Justice.

- It has been 10 years since the work of the President's Commission on Law Enforcement and the Administration of Justice was completed, and eight years since the first authorization of the Law Enforcement Assistance Administration. It is clearly an appropriate time for a reassessment of the direction of the federal crime control effort. We recommend

the creation of a new Presidential Commission to review the experiences of the last 10 years and to make specific recommendations in the following areas.

- -- Crime prevention strategies.
- -- Criminal justice systems improvement.
- -- The roles of the police, courts, and corrections in an effective criminal justice process.
- -- Planning capacity of state and local governments.
- -- The interrelationships between criminal justice and other social and human services provided by the federal government.
- -- The degree and magnitude of juvenile violence.
- -- Victimless crimes.

• In conducting this reassessment, the commission is urged to recognize that a viable and effective handgun control program is an essential component of a comprehensive federal crime control strategy.

• The creation of the Presidential Commission must, in no way, postpone attention to the following, immediate improvements in crime control and criminal justice reform policies:

- -- Funding of federal crime control programs to assist local governments, whether they derive from the Department of Justice or other agencies of government, must be made in the form of block grants.
- -- Administrative changes to eliminate the pervasive problem of bureaucratic delay and duplication in the application and funding mechanisms of LEAA must be accomplished.
- -- Imposition by the federal government of added responsibilities on local governments should be made only if accompanied by sufficient authority and funding so that local governments can adequately implement such programs.
- -- The federal government must be prepared to continue funding those programs which demonstrate their effectiveness.
- -- Any federal crime control programs must ensure early and effective input of local governments at all levels of policy-making.
- -- Federal crime control programs must provide incentives to local governments which achieve coordination in planning and implementation between various social and human service agencies addressing crime-related problems.
- -- Court costs presently being borne by local governments must be assumed by the state through a unified court system.

- Reauthorization and full funding of the Juvenile Justice and Delinquency Prevention Act of 1974 must be accomplished.

AGING

Today, one out of every 10 Americans is 65 or older -- some 22 million people, and according to the 1970 Census, about two out of every three of these people live in metropolitan areas. While the classification of "senior citizen" is arbitrary and capricious, there needs to be an awareness that a growing segment of our society has special needs which require and deserve special assistance.

While senior citizens need to be recognized as individuals, as a group they have common needs which require immediate attention. About 70 percent of persons 65 and older live on incomes below $4,300 a year. Even those older Americans having income must spend proportionately more of it for basic necessities. For those on fixed incomes, it becomes increasingly difficult to live as the costs of food, shelter, medical care, transportation, and housing skyrocket.

Maintaining a home while one's physical condition declines is sometimes impossible for the elderly. For some older persons, the only alternative is costly and undesirable institutionalization. As many as 40 percent of seniors in extended care facilities are there because they had no alternatives, no opportunity to home health and homemaker services or for outpatient care. Yet, only about one percent of both Medicare and Medicaid expenditures in FY '74 were used for the purchase of these badly needed home health services which could prevent much institutionalization.

While the needs of the urban elderly should be addressed as part of social services provided for the general public, special attention needs to be given to remedy many of their special problems, the problems of aging. The U.S. Conference of Mayors recommends that priority attention be given in the following areas:

- Economic Security

  -- Adjustments in Social Security benefits based on equitable cost of living increases and to investigate alternative methods of financing the Social Security Trust and assure its soundness.
  -- Liberalize the earnings test of the Social Security Retirement, and adjust present administration procedures.
  -- Encourage pre-retirement planning.

- Employment

  -- Prohibit forms of age discrimination.
  -- Expand programs such as Title IX Senior Community Service Employment with equitable distribution of employment slots to areas of concentration of high unemployment older workers, and provide an option for local government administration of programs.
  -- Increase stipend rates for volunteer programs such as Retired Senior Volunteer Programs (RSVP) and Senior Companion with 90 percent federal matching funds.
  -- Develop both volunteer and salaried opportunities for retired business executives to be employed by local governments.

- Health

  -- Within a comprehensive national health care program, emphasis must be given to home health and preventive health care programs for all older persons as a basic right.
  -- Increase training opportunities in medical schools and sensitize medical and health care personnel in geriatric care.

- Housing

  -- Provide funds to build new housing especially designed for older and handicapped persons and funds for rehabilitation of existing housing stock, repairs and maintenance.
  -- Develop programs to enable social services to be directly linked with congregate and other elderly housing, thus providing an intermediate step between independent living and institutionalization.

- Crime Victimization

  -- Develop crime compensation programs and elderly crime victimization prevention programs.
  -- Develop programs to assist the elderly victim and witness through the court system.

- Transportation

  -- Promote the development of comprehensive mass public transportation, including paratransit systems, at prices and at service levels to encourage ridership among the elderly.
  -- Provide increased funding for specialized elderly and handicapped, door-to-door transportation service with sufficient coordination of federal resources among the public and private sectors.

- Administration

  -- Review the status of Area Agencies on Aging to determine whether closer integration with the public policy and services to the urban elderly provided by local governments is reflected.
  -- Until such time as more generic social and health service programs for all Americans can be developed, appropriations for the Older Americans Act should be increased dramatically with a requirement of intra-governmental working agreement for coordination of programs serving the urban elderly.
  -- Insure that our cities, whose population factors and capacity make it practicable, be designated as the primary agent in the planning and/or delivery of services to the elderly, and that those cities whose population does not justify the primary responsibility to be given a definitive role in the planning for and/or delivery of services.

WELFARE REFORM

The Conference of Mayors repeatedly has called for total reform of the Welfare System and has, through its Mayor's Task Force on Income Security, increased public awareness of the need for significant reform in the country's income security programs. In addition, the Conference is a member of a welfare reform task froce of the New Coalition, an alliance of five public interest groups -- the National Governors' Conference, the National Conference of State Legislatures, the National Association of Counties, the National League of Cities, and the Conference of Mayors. This task force, in the next few months, will finalize a detailed proposal for a comprehensive, integrated income security program.

The Conference of Mayors recommends that the new Administration and new Congressional leadership work together to initiate legislation containing, at a minimum, the following features:

- A simplified, comprehensive program with federal uniform standards for eligibility and benefits with a federal minimum payment with regional cost differences.

- The administration and financing of the programs must be completely absorbed by the federal government.

- The program must address all public welfare programs including: Aid to Families with Dependent Children (AFDC); local general assistance; food stamps; Supplemental Security Income (SSI); and, housing assistance payments.

B. Physical Needs

A National Urban Investment Policy requires that a city's physical infrastructure and capital assets be preserved, rehabilitated, enhanced, and developed. Housing, streets, schools, hospitals, transit systems, park and recreation facilities, and water and sewer systems must be addressed simultaneously so that our people have a living environment conducive to their personal well-being.

COMMUNITY DEVELOPMENT

The U.S. Conference of Mayors strongly believes that the reauthorization of the Community Development Block Grant Program is the foundation of the federal government's effort to aid cities' development and neighborhood conservation needs.

The Housing and Community Development Act of 1974 expires on September 30, 1977. A decision on reauthorization must be made by May 15, 1977. The reauthorization of the Community Development Block Grant is a high legislative priority of the Conference of Mayors. We believe that it must be reauthorized as follows:

- There must be an equitable funding and allocation system that recognizes needs.

- The program must be reauthorized at a level of funding that ensures that all current program participants receive a level of funding equal to or greater than what they now receive.

- The level of reauthorization must be high enough to overcome the drastic effects that unemployment and inflation have had on local community development efforts.

- The reauthorization must not result in changes in the legislation that will reduce the flexibility in eligible activities currently enjoyed by localities.

The U.S. Department of Housing and Urban Development has not administered the Community Development Block Grant program in the spirit of the 1974 Act. Administration must be improved to ensure that the national objectives set forth in the Act are achieved.

HOUSING

The Conference of Mayors realizes that the block grant program alone cannot meet the development needs of our communities. Effective community development efforts require companion housing programs that work, and that channel private investment into the central cities.

The Conference of Mayors urges the Administration to launch a major housing initiative. This initiative must include the following elements:

- There must be a commitment on the part of HUD to make the exisiting housing programs work in cities. This will require changes in existing policies and regulations that currently channel housing resources and investment away from cities where they are so desperately needed.

- There must be additional funding for such programs as Section 8, Section 235, Section 236, Section 202, and conventional public housing.

- The federal secondary mortgage market must be made to encourage housing investment in cities, rather than discourage as is now the case.

- The federal government must develop an all-incomes housing policy, and the necessary programs to implement such a policy. Housing construction, maintenance, and operating costs have increased to the point where the nation faces a housing crisis that touches not only lower-income families, but families in nearly every income category. Such a policy is essential also to cities' ability to maintain a viable income mix.

- Housing Assistance Plans (HAPs) must be strengthened to provide a reliable blueprint for the delivery of housing subsidies. The subsidies must arrive when, where, and in the form determined by local government as the result of locally prepared and federally approved Housing Assistance Plans. Cities need "set-asides" of housing units reserved for their use. In general, local government must have a greater role and responsibility in the planning, packaging, financing, and development of housing.

Looking to the future, there must be a major new initiative for neighborhood conservation and housing rehabilitation. Local government cannot afford to continue to have neighborhoods -- the building blocks of this nation's cities -- and the existing housing they contain thrown away because of federal policies that discourage investment and stability.

A Community Development Block Grant program reauthorized with additional funding is essential. Additional housing funds, programs that work, and a Department of Housing and Urban Development which is working in partnership with cities are all essential components of a successful national community development and housing effort which will be effective at the local level.

ECONOMIC DEVELOPMENT

Besides a housing component, it is necessary for this Administration to develop a parallel economic development program to complement the community development effort. The Conference of Mayors realizes that the Economic Development Administration (EDA) of the Department of Commerce, and the public works programs which it administers, represents an untapped resource. Refocusing this effort to urban America could significantly assist a number of cities in developing the economic objectives of this overall strategy. To achieve this, however, the EDA status must be enhanced to that of full and equal partner in the federal urban action agenda. Moreover, full funding for EDA programs must be advocated by the new Administration and the Congressional Leadership.

- EDA Funding

EDA programs generally have been funded around $300 million per year. This contrasts rather sharply with community development, manpower, law enforcement assistance, and social service programs, all of which are in excess of $2 billion program levels.

The FY '78 authorizations for all EDA categories total $1.6 billion. Program funding at these levels would bring EDA closer to parity with other major domestic programs.

- Permanent Anti-Recession Public Works Program

After a one and one-half year effort, the Local Public Works Employment Act of 1976 is law. Funding for the public works provision is at a $2 billion level.

Purpose of Program: To provide grants to states and local government for needed public works investments including deferred maintenance projects such as street repair and maintenance of public buildings. Due to lack of local revenues resulting from the national recession, cities have deferred and/or postponed these necessary capital improvements projects. Priority is given to areas with unemployment over the national rate, and early start-up of construction and reasonable completion time are required. These requirements are to assure the funding of projects which are ready to go and which would have an immediate economic impact -- not one several years from now when the economy may not need stimulating.

Justification for Continuation: Investment in capital infrastructure is an effective economic stimulator. It has been estimated that capital investments have income multipliers of about 3.0 to 3.5. On the other hand, transfer payments

such as unemployment compensation have income multipliers of not much more than 1. Secondly, in times of recession, cities' infrastructure deteriorates due to lack of revenues to finance maintenance or construction. Public works investment, then, is an effective national economic tool having local benefit. The Anti-Recession Public Works program should be established as a permanent and automatic policy with the assistance being triggered whenever the national unemployment rate reaches 5-1/2 percent. Eligible recipients would be those cities and units of local governments having high rates of unemployment.

- Changes in Existing EDA Programs

City interests have long urged a decategorization of EDA programs so that monies can be programmed at the local level with relative flexibility. The present legislation is a hodge-podge of confusing and overlapping titles, with varying eligibility criteria and rates of local match. A complete revamping of the legislation is warranted. Specific administrative steps recommended are:

-- Highlighting economic development as an equal domestic partner with community development, manpower, and transportation programs by appointing an Assistant Secretary for EDA who will have status within the Commerce Department and direct access to the White House.
-- Dividing the agency staff into urban and rural development components with technical capacity to deal with development needs unique to each, rather than the present staffing pattern of program categories such as planning, public works grants, loans, etc. This would help to decategorize programs and facilitate local flexibility.

- Economic Development -- The Private Sector

Thus far, the elements of the National Urban Investment Policy discussed focus primarily on the public sector's ability to address the need to revitalize our nation's cities. Basically, this amounts to all levels of government "getting their house in order," and developing new initiatives to address the problems that have been heightened and exacerbated over the last decade. It is clear, however, that if all of these necessities became realities, there still would not be enough money to effectively solve the problems. A critically needed, but currently missing, element of a National Urban Investment Policy is the private sector. Therefore, the Conference of Mayors proposes an Urban Development Bank to provide a mechanism for the private sector to become actively involved in city economic efforts.

Specifically, the Bank would encourage investment in needy cities by making available low-interest loans to businesses. In so doing, the Bank would be tied to the above-cited public programs to assure the necessary critical private participation in local community enhancement.

Assistance would not be given to business without local government sign-off. The Mayor of the city would have to assure the Bank that proposed investment activities are consistent with and complement the city's development plans and that the city officially endorses the activity. The Bank, then, becomes a mechanism to assure the critically-needed partnership between local government and business. Local government would not certify the qualifications of applicants either in terms of the individual applicant or the risk factors in the loan.

Loans would be restricted to businesses investing in cities experiencing: drop-offs in revenues; substantial job loss; or, other development problems unique to the region.

In addition to making low-interest loans to business, the Bank could purchase stock in small businesses that are locating in cities, thus easing the business' debt service during the initial years. It also could provide technical assistance to cities and private industry in the use of their various federal aid monies such as community development, transportation, and economic development to obtain the best economic "pay-off" possible.

The Bank would be a risk-taking, federally-chartered corporation with some board members appointed by the President and confirmed by Congress with remaining board members elected at-large. It could be capitalized initially with public funds and with receipts from a public stock offering. After initial capitalization, the Bank could be self-sustaining as a revolving fund with income derived from payments on loans outstanding and investments.

TRANSPORTATION

Transportation, along with a job, food, and shelter, is a basic necessity for any American. It is clear that streets, highways, transit equipment, and facilities in our cities represent key capital assets. The preservation, maintenance, and rehabilitation of these assets provides the necessary mobility for the urban resident. Without a comprehensive, well-integrated system, the economic and social well-being of the nation's cities will be adversely affected. Transportation is so integral to achieving any overall local

objectives that the current ineffective application of federal resources in this area hinders community development, housing, manpower, law enforcement, and environmental endeavors.

An urban transportation program which has as its objective the improvement of all aspects of intra-city transportation, coupled with the resources, authority, and flexibility with which the Mayors can better identify and more effectively address our transportation problems, is a top priority for cities. Local street and highway needs are not being met by the present Federal Aid Urban System program. Its shortcomings are numerous. For example, a large share of the apportioned funds have gone unobligated; excessive delays have been caused by federal and state red tape; and, a major share of approved projects have been located on state designated highways, not local streets. Mayors urge the adoption of an effective urban street program with funds apportioned directly to urban areas and available for local street construction and improvement.

The primary legislative priority is the immediate extension and expansion of the Urban Mass Transportation program. Essential aspects of this legislative effort are:

- Capital assistance for major transit investments should be increased to provide an average level of $2 billion a year for the six-year period from 1978 - 1983.

- Additional capital funds for equipment purchase and routine capital activities should be more available on a regular basis at an earmarked level of $500 million per year for the period 1978 - 1983.

- Operating assistance should be increased with funds apportioned on a basis better addressing need with a guarantee of retaining, at a minimum, each city's present funding level. In addition, Section 5 funds should be apportioned directly to urbanized areas.

- Consideration of a comprehensive urban surface transportation program based on a consolidated transportation account which permits elected local officials to allocate resources among each individual mode -- highways, transit, railroads, and airports -- and integrate transportation activities with other urban development and improvement programs.

Local governments are beset with a federal system and a Department of Transportation which operate devoid of any national policy and an urban transportation component. It

is basically unresponsive to efforts to develop local transportation strategies which integrate into and assist in achieving overall community development and economic development objectives.

As a result, the Mayors must have, as the essential component of a national transportation policy, an urban transportation program which assists in the revitalization of our cities.

ENERGY AND ENVIRONMENT

It is imperative for the economic health and stabilization of our nation that a definitive energy policy emerge as one of the highest priorities of national policy.

Energy

At the root of many of the most difficult problems facing this nation, and particularly our urban centers, is shortage of readily available domestic energy in the face of a continuously growing demand. The result is our increasing dependence on an subservience to the oil-producing nations, and severe domestic economic and social dislocation -- widespread inflation, high unemployment, and a heavy burden on those least able to afford it -- which has had its greatest impact on the cities of our nation. And the situation is growing worse.

The cost of energy will continue to consume an undue share of scarce resources and will undermine the benefits of any renewed public and private commitment to investment in our urban areas unless the new Administration moves immediately to develop and implement a rational, pragmatic, and dynamic national energy policy that will make us the masters of our own destiny.

We cannot save our cities if we cannot solve our energy problem. Therefore, the U.S. Conference of Mayors urges that any commitment on the part of the new Administration to revitalize our cities be accompanied by strong and creative leadership to develop and implement a national energy policy with the following priorities:

- Energy conservation incentives and initiatives.

- Increased domestic production of energy, using both existing and new energy sources, in a manner which avoids environmental degradation and economic dislocation.

- Structured and continuous involvement of local government officials in the total process of policy development and implementation.

- Assistance to local governments, including financial and technical assistance, for the development of new energy sources and the conservation of existing energy supplies.

Environment

Because of election-year pressures, Congress adjourned without resolving two environmental matters of immediate concern to virtually all Mayors. Previously enacted Congressional legislation mandates a January 1, 1977, deadline for local governments to achieve certain standards of air quality and a July 1, 1977, deadline for local governments to provide secondary wastewater treatment.

For reasons beyond their control, few cities will be able to meet these deadlines. Failure to control air pollution at its source -- particularly with regard to automobile emission standards -- is the primary reason for failure to achieve the requisite air quality standards. Failure of the federal government to provide adequate resources and failure of many state governments to effectively distribute the funds have contributed to the inability of cities to meet the water quality deadline.

The U.S. Conference of Mayors supports both the air and water quality standards. But, Mayors cannot be held accountable for implementing them without adequate financial resources or statutory authority.

Therefore, the Conference of Mayors believes that the highest priority must be placed on legislation to reenact the Clean Air Act Amendments of 1970 and the Federal Water Pollution Control Act Amendments of 1972 with the following key provisions:

- Clean Air Act Amendments

  -- Give greater authority to state and local governments in developing air quality strategies.
  -- Extend compliance dates applying to transportation control plan cities on a case-by-case basis, if proposed strategies would cause economic and social disruptions.
  -- Require auto emission standards to be met within a reasonable time.

-- Require states to receive the approval of local governments when making critical decisions regarding reclassification of clean air areas within the state.

- Water Pollution Control Act Amendments

-- Grant extensions on a case-by-case basis of the July 1, 1977, deadline to provide secondary wastewater treatment for meeting water quality standards.
-- Authorize $17 billion for FY '77 through FY '79 for wastewater treatment works construction grants and pass-through these funds directly to cities.
-- Allow cities to assess user fees through an ad valorem tax, rather than metering, if a locality can correlate the assessment directly with water and sewer use.

Efforts to develop and implement a coherent national energy policy and to clean up our environment have been frustrated by the creation of overlapping agencies, development of inconsistent programs, and proliferation of conflicting regulations.

The development and implementation of coherent strategies for dealing with the energy shortage and with environmental quality, therefore, require a rational organization structure at the federal level and a consistent and consolidated set of areawide planning and management mechanisms in which Mayors have a strong role.

FINANCING THE NATIONAL URBAN INVESTMENT PROGRAM

In advocating an urban agenda for action by the Carter Administration and the 95th Congress, the Conference of Mayors is willing to show how new program initiatives are to be funded. As local elected officials, we know how to be fiscally responsible. Taking a comprehensive look at the variable components in future budgets, the primary sources of money are:

- Increasing revenues by accelerating economic recovery primarily with a spending stimulus.
- Controlling or shifting financing for some domestic programs.
- Controlling or shifting the military budget.
- Controlling detrimental tax expenditures (losses of revenue from tax "loopholes").
- Expanding the public sector in relation to the private sector.

A realistic appraisal of each of these actions in light of positions taken by President-elect Carter shows that no single option will yield enough resources to support all of the new program initiatives thought to be essential for revitalizing America's cities -- action must be taken to obtain funds in all of these areas simultaneously.

Economic Recovery. Based on the present fiscal policy as set forth in the Second Budget Resolution for Fiscal Year 1977, economic growth for the next five years will be slow. Accelerating economic recovery by applying a larger stimulus in FY '77 and subsequent years would increase revenues and cut recession-related expenditures. If growth over the next five years were to match the best growth period in the 1960's (5.4 percent average annual increase in real GNP from 1962 to 1966), the federal budget would gain on the average about $15 to $20 billion per year. Of course, this more vigorous recovery will improve the fiscal outlook for cities as well. However, the budget gains from recovery will not be adequate by themselves to meet funding needs for new programs.

Military Budget. The Mayors are on record as calling on "the Administration and Congress to redress the imbalance between

domestic expenditures and expenditures for the Pentagon and foreign aid...." Assuming the Pentagon were to be denied any budget increase over the next five years, except to cover the Consumer Price Index, the savings, compared to recent projections of current policy, would range from about $8 billion in FY '78 to about $17 billion in FY '81.

Domestic Programs. To a limited extent, funding could be shifted within the domestic side of the budget to support the urban agenda. New priorities could be set. For example, urban economic development could take precedence over those rural dam projects which are environmentally destructive and economically wasteful; intra-city transportation needs could be favored over some inter-city highway projects. Programs could be reorganized to make them more efficient or to target benefits more effectively to high priority needs. For example, money now being used for LEAA hardware projects would be utilized more effectively in community crime prevention and juvenile justice programs. Finally, intergovernmental financing arrangements could be improved -- greater federal involvement in certain areas, such as welfare, could be undertaken in exchange for more state and local responsibility in other areas. The advantage of this approach would be to free local budgetary resources which could be used more effectively to promote development. But such shifts should not be viewed as bringing about a net increase in funds for the intergovernmental system as a whole.

Tax Expenditures. Losses to the Treasury from various tax "write-off's" are equivalent to one-fourth of total federal outlays, amounting to $106 billion in FY '77 and increasing under present law to $148 billion in FY '81. Clearly, many of the tax benefits flowing to the wealthy and to corporations are inequitable and unwarranted. "Tax reform" measures could close some of the most flagrant "loopholes" and make additional funds available for other purposes. Considering the tremendous struggle in Congress this past summer to get $1.6 billion in reforms, large revenue gains are not realistic -- perhaps $5 billion per year at the outside. Furthermore, Congress and the Administration should delineate the impact of all tax expenditures on local economies. Some tax expenditures undermine or counteract urban development. For instance, a recent Brookings Institution study indicates that the deduction for state and local taxes -- an $11.9 billion federal tax expenditure -- may have the economic effect of offsetting the redistributive effect of general revenue sharing. Since President-elect Carter has promised to offer a comprehensive tax reform program, Mayors will work with him to ensure that any future changes in tax expenditures benefit the cities.

Expansion of the Public Sector. The urban agenda may well justify an enlargement of the public sector as a share of GNP. Due to the progressive nature of federal taxation, growth in the GNP yields a fiscal dividend. In past years, the federal

share of GNP has been held down by means of occasional tax reductions. It would be possible to capture this fiscal dividend for new urban programs by resisting future tax reductions. Furthermore, some of the new program initiatives may represent a transfer of economic activity from the private sector into the public sector, thereby justifying a net increase in the public sector share of GNP. For example, a comprehensive national health insurance program would result in federal assumption of a responsibility held by private insurance carriers. From the standpoint of the individual citizen, the means of health care financing would change, but costs would not necessarily be greater. In fact, federal controls could mean savings for the consumer by restraining the runaway inflation in health care costs. Of course, there also could be a marked improvement in the delivery of health care services for many people.

The United States does not have a bloated public sector when one compares it to other Western industrialized countries. A relatively small proportion of the U.S. economy is devoted to spending by all levels of government combined.

U.S.	29.6%
Canada	33.3%
France	33.8%
Germany	34.9%
U.K.	35.3%
Italy	37.6%
Sweden	40.9%

(Source: U.N. Yearbook of National Accounts Statistics,1974)

Economic Considerations. There are economic factors which concern the nation's Mayors. Unless inflation is brought under control, cities will continue to be taxed by higher costs, and local economies will suffer more from the distortions and dislocations that result. The federal government should be urged to undertake vigorous measures to attack the true causes of inflation -- failures of the free market, shocks to the economy, food and resource shortages. At a time when unemployment is high, utilization of industrial capacity is low and the economy is running $200 billion below potential; it is nonsense to contend that federal spending is the cause of inflation.

Federal economic and monetary policies should accomodate urban development and vigorous growth. Specifically, if interest rates cannot be held to a low level, credit should be allocated giving a priority to urban housing needs.

CONCLUSION

The National Urban Investment Program is an action program which was formulated and adopted by the United States Conference of Mayors for the human and economic recovery of our cities. Far more than a recantation of the oppressive statistics which reflect the plight of our urban centers, the policy is built upon positive recommendations for programs and actions which can reshape the entire urban fabric for our people.

The nation's Mayors are committed to the implementation of this policy. We call upon our other allies -- those dedicated people who share our concern for the 75 percent of Americans who live in the cities -- to join with us in seeing this program to fruition. We call upon the Carter Administration and the 95th Congress to work with us in the strongest federal/city alliance in the history of our nation. We call upon all Americans to work with us for a stronger economy and a better country.

The formulation of this policy is but a first step. In order to translate the proposals into action, the U. S. Conference of Mayors pledges unequivocal support for federal programs shaped in line with this urban agenda. We pledge to work with President-elect Carter and the new Congressional leadership as well as all members of the 95th Congress in ensuring their full and successful implementation. We can do no more. We shall do no less.

Mr. GIBSON. One other additional request, Mr. Chairman, that the U.S. Conference of Mayors 1977 Summer Youth Needs Survey, which was recently completed be included in the record. It is important for your consideration.

Mr. HAWKINS. Without objection, so ordered.

[The material referred to follows:]

UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET, NORTHWEST
WASHINGTON, D. C. 20006

February 2, 1977

TO: The House Budget Committee

FROM: United States Conference of Mayors

SUBJECT: 1977 Summer Youth Needs Survey

The current unemployment rate among youth is 20 percent and among minority youth, concentrated in our urban areas, the rate is close to 40 percent. During the summer months, unemployment among youth is an even more acute problem. The U.S. Conference of Mayors recently surveyed 86 of the largest cities to determine the number of additional CETA Title III summer youth employment slots cities could absorb above their 1976 summer level.

Last summer a total of $528.4 million in CETA Title III was distributed to 433 prime sponsors for 880,000 job slots. The 1977 Labor/HEW Appropriation provides $595 million for the 1977 summer program. This will increase the total slot level to one million. However, given the current rate of inflation and increases in the number of eligible prime sponsorships, the $595 million will merely enable cities to employ the same number of youth.

The USCM survey shows that cities could hire and find jobs for 70 percent more youth than were served last summer. This represents 1,496,000 youth job slots at a dollar cost of approximately $890 million.

The OMB poverty guideline for participation in the summer program is $5,500 for a family of four. Many of the unemployed youth seeking jobs each summer are from low-income families or suffer from disabilities which qualify them as "in need" on other than strict economically disadvantaged grounds. If cities were able to apply the new CETA Title VI low income participant eligibility criteria to the CETA summer program, more of the urban youth population could be served. As a further indication of need, our survey shows that under relaxed income guidelines cities could increase by 100 percent the number of youths employed this summer. This increases the total CETA summer program slot level to 1,760,000 at a cost of approximately $1.1 billion.

TELEPHONE 223-3100
(AREA CODE 202)

UNITED STATES CONFERENCE OF MAYORS
1620 EYE STREET, NORTHWEST
WASHINGTON, D. C. 20006

USCM CETA SUMMER YOUTH SURVEY

	Slots	Dollar Amount*
Summer 1976	880,000	$528.4 million
Summer 1977 (current funding level)	1,000,000	$595.0 million [1]
Summer 1977 (potential slot levels using present Title III income guidelines)	1,496,000	$890.1 million
Summer 1977 (potential slot levels using new Title VI income guidelines)	1,760,000	$1.1 billion

[1] Contained in 1977 Labor/HEW Appropriation

* Dollar figures arrived at using Department of Labor cost per slot of $595.

Mr. GIBSON. As I indicated earlier, it is certainly a pleasure to come before the committee today to discuss the future of a program which has done more than any other in our opinion to restore confidence in the traditional American axiom: "A job for every citizen who wants to work."

It is also a peculiarly appropriate time—given the devastating economic slump which has been worsened by the severe energy crisis—and an appropriate time to discuss the Comprehensive Employment and Training Act.

CETA is unique for a variety of reasons. First, it was the initial effort of Congress to decategorize and decentralize the diverse Federal training and employment programs, and provide a comprehensive, coordinated approach to Federal financial assistance to State and local governments for manpower activities.

Second, CETA created a mechanism—the prime sponsor—for controlling in an equitable and logical fashion the administration and delivery of needed training and employment services. Lodging primary authority for implementing manpower programs in the political jurisdiction was a wise and prudent course.

Despite early problems with delays in creating job slots and Labor Department guidelines which, in many instances, subverted the intent of the legislation to leave as flexible as possible policy decisions made by prime sponsors, CETA has been a demonstratedly successful program which deserves reauthorization at increased funding levels.

What I would propose to do before this subcommittee is outline a series of major issues relating to CETA reauthorization from the perspective of our Nation's mayors, and then to discuss the relationship and role of CETA in President Carter's economic stimulus package.

Like any relatively new program which has now had a number of years to work through the rough spots, CETA experience has pointed our Nation's mayors and manpower planners to certain guides for the future operation of the program.

First, eligibility for prime sponsorship. As someone who stands in the arena of escalating local unemployment and fiscal instability, and who first hand has the data at his disposal to address uniquely local needs, I wholeheartedly endorse the existing concept of prime sponsorship and would strongly resist any significant changes.

The singularity of the CETA prime sponsor and the political jurisdiction affords the clout to insure that manpower programs are coordinated in the best interests of all the people of a jurisdiction, and, at the same instance, accords the prime sponsor the flexibility and speed with which to expeditiously address specific local problems.

Attempts to mandate funding of community-based groups or other units of government, councils of Government or school districts by bypassing the prime sponsor, would be counterproductive to the original intent of CETA. Furthermore, existing prime sponsors have taken affirmative steps to involve community-based groups in the planning and implementation of citywide manpower efforts. If responsibility is divided, then the accountability for the effectiveness of the CETA program will be divided.

Second, funding, hold-harmless, and the allocation formula. Needless to say, given funding adequate to insure each prime sponsor dollar

amounts that are at least comparable to the previous year, many of our concerns over hold-harmless and the allocation formula become less significant. But, it is, nevertheless, important to highlight these issues.

The 90 percent hold-harmless provision with a decrease of 10 percent annually has been pernicious to larger cities. Chicago, for example, which received $41 million prior to CETA, will be allocated because of "hold-harmless" only $22 million this year.

Baltimore has slipped from $16 million to $8 million and my own city of Newark has been reduced from $10 million to less than $8 million this year. By fiscal year 1981, we will be down to the $5 million figure.

If it were not so sad, it would be almost laughable to refer to such a provision as a "hold-harmless" clause. Compounding the consequences of this provision is the fact that it reduces CETA funds in many jurisdictions which face enormous increases in joblessness.

This situation cries for a remedy, and we would suggest that it include a combination of increased funding to assure that all prime sponsors receive formula share increases to sustain current funding levels, and a permanent 100 percent hold-harmless clause geared to this year's level of funding.

If it is feasible to revise the elements of the formula allocation so that CETA funds are targeted to areas of greatest need, we would urge such a change. But, we would also warn that "targeting" concepts are not the same as categorization by earmarking or specific set-asides. Rather, targeting involves formula changes and the concomitant redistribution without restricting prime sponsor flexibility by creating presumptive deliverers of manpower services.

Third, public service employment. In a recent publication entitled "A National Urban Investment Program," the U.S. Conference of Mayors called for the creation of 750,000 public service jobs by the end of fiscal year 1977. In light of the joblessness caused by the energy crisis, this figure may be modest, but, it is certainly a reasonable benchmark for study and consideration by this subcommittee and the Congress as a whole.

No program creates jobs as quickly and would have as salutory an impact on the economic crisis as the public service jobs program.

A further comment on public service jobs is appropriate given the recent guidelines on title VI of CETA issued by the Labor Department of the "former administration." Those guidelines would limit prime sponsors' discretion in using title VI emergency jobs funds by mandating that 30 percent of that money be expended through "projects," that is, contracting out to community-based groups and other private, nonprofit agencies.

While it is likely that the prime sponsor would allocate at least that amount through these groups anyway, it is repugnant to the purpose of CETA in decategorizing programs to earmark an amount to be spent in this fashion.

Finally, let me say that from the information we have gathered, prime sponsors would have no difficulty in absorbing these additional public service job slots.

Four, youth employment programs. It may be hackneyed, but it is nevertheless true, that our young people are our Nation's greatest asset. It is unforgiveable given this tenet that the current unemploy-

ment rate among youth is 20 percent, and among minority youth, concentrated in our cities, the rate is close to 40 percent.

The development of a youth employment program as part of CETA must be a priority of this subcommittee if we are to insure our future economic and social viability. CETA is the proper mechanism for this endeavor since it provides an in-place structure for ready assimilation of the young into training and employment programs. It also would provide the necessary instrument of coordination between all employment programs whether they be designed for youth or adults.

While youth unemployment is generally severe, it is particularly acute during the summer months. The U.S. Conference of Mayors recently surveyed 86 of the largest cities to determine the number of additional CETA title III summer youth employment slots cities could absorb above their 1976 summer level. The survey reflected that cities could hire and find jobs for 70 percent more youth than were served last summer. This represents 1,496,000 youth slots at a dollar cost of approximately $890 million.

In addition, the surveyed cities reported that if the OMB poverty guideline for participation in the summer program, which is $5,500 for a family of four, was relaxed, they could increase by 100 percent over last summer the number of youths employed this summer. This increases the total CETA summer program level to 1,760,000 at a cost of approximately $1.1 billion.

You know, $5,500 for a family of four is an unrealistic figure in 1977 for participation in a summer program. We would urge the subcommittee to consider expansion of the title III summer jobs program in accordance with this data.

Five, vocational education. Progress has been made between vocational education entities and prime sponsors in developing a rapport and agreement on the use of the 5 percent CETA funds for vocational education. However, this subcommittee should begin modification of the legislation to designate clearly the final recipient of the 5 percent funds. It should not be necessary for prime sponsors to barter for funds that were clearly intended to be used in a prime sponsor's jurisdiction.

Six, the employment service. Under CETA, there are not, nor should there be, presumptive deliverers of manpower services. Prime sponsors should have the option of developing cooperative relationships with the employment service to minimize or eliminate duplication of effort, but such arrangements should be established only to the extent that they can be developed locally conditioned upon the individual performance of the local employment service.

Dictates which emanate from Washington should not burden local prime sponsors with undesired and counterproductive relationships with the employment service.

Finally, private sector involvement. Inclusion of the private sector, particularly in training programs, is an eminently sensible approach if there is to be any utility in training programs. Industry needs are best understood and identified by the private sector. Their active involvement would insure that training would lead to available and meaningful job opportunities.

These are just some of the major concerns of the U.S. Conference of Mayors as we look to reauthorization of the CETA program. I

would hope that other specific issues and legislative proposals could be discussed between our respective staffs during the coming months. CETA reauthorization is one of the top priorities of the Conference and we stand ready to afford this subcommittee whatever assistance we can in assuring its reenactment.

Let me briefly comment on what I see as the role CETA has in President Carter's stimulus package. I would be less than candid if I expressed total satisfaction with the President's stimulus program. As you can see from a comparison with our "National Urban Investment Program," there are a number of spending categories in which the administration proposal falls short of our marks. Unfortunately, two of those categories—countercyclical assistance and CETA title II and VI programs—are vital to the fiscal stability of our Nation's cities and recovery of the national economy.

The Conference of Mayors is pleased that the House Budget Committee has increased fiscal year 1977 spending for these two programs to levels greater than those proposed by the President. The Budget Committee's action makes good economic sense. Countercyclical fiscal assistance and public service jobs, together with public works, make up what the Conference considers to be a necessary comprehensive and sound urban economic recovery package.

Each of these programs is designed to address a particularly acute problem in our cities: public works funds for necessary capital improvements postponed due to lack of revenues; countercyclical fiscal assistance for cities with inadequate operating revenues to maintain basic municipal services; and, public service jobs to provide meaningful employment for the vast numbers of our people for whom private sector jobs are not available.

These three programs must be in place and operative at the same time. If not, the effectiveness of each will be substantially reduced. For example, if countercyclical assistance funds are inadequate to meet the shortfalls in local revenues and service cutbacks are necessary, cities will be forced to use CETA funds to retain their regular employees rather than use them for the purpose Congress intends—that is, to employ the unemployed.

These two Federal assistance efforts—public service employment and countercyclical fiscal assistance—must be viewed as working in a complementary fashion to increase the total number of persons in our cities.

At the very least, by the end of fiscal year 1977, 750,000 public service jobs should be created. Since 310,000 now exist, and another 200,000 were included in the second budget resolution, the remainder of 240,000 or 60,000 per month, is a modest total figure by the end of the present fiscal year.

The total cost of these additional public service jobs would be approximately $2.5 billion. This is certainly not an extravagant investment when the returns in human and social terms are weighed. Our cities can absorb those added jobs, and we urge you to consider this course.

Mr. Chairman, members of the subcommittee. Your deliberations and proposals concerning the reauthorization of CETA will have a crucial impact on the future economic recovery of our Nation. But, more importantly, your conduct with respect to this program can restore

to many Americans a dignity which is lost when a person who wants to work is forced to accept public assistance to survive. I urge you to follow the prudent course and reauthorize CETA at increased funding levels.

Thank you for your time and attention.

Mr. HAWKINS. Thank you, Mayor Gibson. I am sure that your statement will invoke a series of questions. Let the Chair confine itself to one or two at the beginning. First, I would like to direct attention to page 4 of your statement in which you speak of the national urban investment program and ask for the creation of 750,000 public service jobs by the end of fiscal year 1977.

My understanding is that you are asking for some additional jobs, other than those which have been recommended by the budget resolution. Is that so?

Mr. GIBSON. Yes, sir.

Mr. HAWKINS. In addition to the number that was recommended by the second budget resolution, which was higher than that recommended by the President, how many additional slots to the budget resolution are you recommending?

Mr. GIBSON. I think we gave that figure, Mr. Chairman.

Mr. HAWKINS. Is that on page 9?

Mr. GIBSON. On page 9; 240,000.

Mr. HAWKINS. 240,000.

Mr. GIBSON. About 60,000 a month.

Mr. HAWKINS. In addition——

Mr. GIBSON. In addition to the second budget resolution.

Mr. HAWKINS. Have you addressed the need in contrast to the third budget resolution?

Mr. GIBSON. No, sir.

Mr. HAWKINS. On the basis of the number of jobs recommended, again directing your attention back to page 4, you indicated in the second paragraph that no program creates jobs as quickly and would have a salutory an impact on the economic crisis as the public service jobs program.

In that statement, are you, in effect, relating that to tax rebates and cuts, or is that statement merely directed toward job creation types of programs?

Mr. GIBSON. We are relating that to tax rebates and tax cuts. On page 10 in our National urban investment program there is, based upon the Congressional Budget Office analysis, a table which outlines the number of jobs created by the various methods.

In fact, income tax cuts create the least number of jobs and public service employment creates the largest number rapidly, in reducing the unemployment rate.

Mr. HAWKINS. With respect to the speed which jobs are created and relating to the testimony by both Mr. Schultze, as Chairman of the Economic Advisers, and, I believe, Secretary Blumenthal as well which constituted the reason for the emphasis which is placed on that phase of the stimulus, are you saying that the findings of the Conference of Mayors disagrees with both the speed with which the jobs can be created by a fiscal method rather than a direct job creation method, and also that the cost is in favor of the direct job creation?

Mr. GIBSON. Yes, sir. We are saying we disagree.

The U.S. Conference of Mayors, as a part of its stimulus package, does not rule out tax cuts or rebates entirely. What we are saying—and we have said quite strenuously to the President and his advisers—is that the percentage of the package that is allocated for public service spending and job creation in the public sector should be larger than that designated for tax policy and rebates.

If you look at the National urban investment program package, the level is different than the President's proposal. Tax rebates targeted toward low-income areas and families would have a quicker effect on the national economy. That money could be spent, and would be spent, by those families.

Tax cuts at the level that the administration has suggested—while not totally bad need review. We think that more money could be spent, or should be spent, in creating the jobs in the public sector on a short-term basis than the tax cuts which have been proposed.

Mr. HAWKINS. Let me ask you this: if the recommendation that you have made with respect to the number of slots to be made available were to be approved, do you stand ready at this time to actually move ahead and absorb the jobs that you have recommended? By absorbing them, we are talking about useful jobs that would be cost-effective and would actually not be duplicative of any of the other jobs which now are made available on a normal basis, either in titleVI or title II, whatever method that you desire to do it?

Do you stand ready at the present time to actually make good on the recommendation that you are making before this committee?

Mr. GIBSON. Yes, sir.

These recommendations, Mr. Chairman, have been made after some very thorough staff work on the part of the U.S. Conference of Mayors and local planners around the country. We are prepared to implement this program as rapidly as we have stated, and as effectively as we have, in the past.

I do not want anyone to get the impression that we are just pulling numbers out of the air. These are job positions that can be used effectively, and we have not exaggerated the number or the need.

I stated that, with the severe weather conditions that we have had recently, some of the economic problems that we have had facing us even since we made these projections, we think this is still a modest figure, a modest figure.

With me is Mr. Harry Wheeler, director of Newark's manpower efforts, I would like to have Mr. Wheeler tell you what we in Newark—and this is indicative of cities around the country—can do with additional job slots.

Mr. WHEELER. Mr. Chairman, first and foremost is the fact that in the city of Newark the established, institutional unemployment rate is 17 percent.

The situation is that cities across this country are prepared to implement the increased allocation of dollars and jobs as expressed in Mayor Gibson's statement. As a manpower director, I have talked to manpower directors across this nation. We are prepared to do the job efficiently, effectively, and certainly rapidly.

It seems to me that the whole thrust of the economic stimulus is to provide immediate aid for the unemployed. When you get involved in the question of tax rebates versus jobs, it makes an interesting dis-

cussion for economists. It does not necessarily ever get to a pragmatic solution.

I am sure that you would agree with the president of the U.S. Conference of Mayors that the current economic situation dictates that we move with dispatch in the most pragmatic and feasible manner possible to provide the unemployed with meaningful employment that produces an income that gets back to the Federal Government in the form of taxes.

I know you are aware of Ms. Rivlin's report as it relates to that whole survey on the best methodology, fastest methodology, to get help to the unemployed. No question about the fact that there is generation of jobs through the public service program.

I would say to you that manpower trainers across this nation are fully prepared to implement the recommendations contained in the mayor's statement.

Mr. HAWKINS. One final question.

With the information that you have gathered and the reports that you have submitted to this committee and to the administration, did you, in formation of the stimulus package, also have some participation?

Mr. GIBSON. Yes, sir.

We submitted our report to then-President-elect Carter in a meeting in Atlanta prior to the inauguration. We have made this submission to every one of the incoming Cabinet members prior to their taking office. We have continued to make the presentation before both Houses of Congress and the submission of this package to all the committees we have testified before.

Mr. HAWKINS. Thank you. I will defer my other questions at this time.

Mr. Sarasin?

Mr. SARASIN. Thank you very much, Mr. Chairman. Mayor Gibson I would like to thank you very much for the time you have taken to help us with our deliberations.

I have several questions concerning the manner in which the city of Newark handles the CETA program.

Can you tell me what you do with the youth employment title in the program? How do you utilize it?

Mr. GIBSON. As far as the actual day-to-day execution of our program in detail, I will ask Mr. Wheeler to respond.

Mr. WHEELER. Congressman Sarasin, I assume you are talking about the summer employment program for economically disadvantaged youth under title III?

Mr. SARASIN. Yes.

Mr. WHEELER. What we have done historically is to set aside within our title I funds an amount of money to establish the honorable intent of our city to conduct a summer employment program, and then we begin our year-round planning for that.

We are able to do that because we use up the earmarked funds out of title I to fund that year-round process. Once the title III funds have arrived—and as you know, often later than it should—we have in place the mechanisms to provide for, in the past year, 10,000 slots which touch anywhere between 12,000 and 13,000 youngsters.

As you know, there is a distinct difference between slot and individual. It is not unpeculiar to find a youngster coming into a slot, and in 3 weeks mother says, even though it is a family of four where the earning capacity is only $5,500, that auntie-in-X has sent a ticket to come visit, so that youngster leaves, but the dollars for the rest of that slot are still there, and move somebody else into the slot.

Consequently, the difference is the number of slots and actual numbers of youngsters serviced in the projects.

What we attempt to do is put all of the youngsters in meaningful work. What do I mean by meaningful work?

For instance, we have a series of lot cleanup crews supervised by the supervisor's staff of our public works department. We permit youngsters to work in all the established community-based organizations doing particular kinds of tasks based on the plan of the respective community-based organization. What we have in this last plan for 46 days, that was the actual number of days of work for the youngster in the last plan for the city of Newark—are youngsters engaged in meaningful work at the minimum that represents the higher of the two, the State minimum versus the Federal minimum wage.

It so happened in the city of Newark at the time that the State minimum was higher than the Federal minimum, and that is what they were paid, on the basis of a significant number of hours per week.

Mr. SARASIN. What is the State minimum?

Mr. WHEELER. It is $2.30, about to go to $2.40.

One of the things I will talk to the budget people about as they begin to deal with the allocation of dollars in the development, is that it is not always wise to project on the basis of the Federal minimum. Under the guidelines, it says to take the higher of the two. In many States, the minimum wage is higher than the Federal minimum wage. The State minimum wage, that is.

That impacts on the amount of dollars that can be spent for individuals based on a constituted number of hours of work.

Mr. SARASIN. Do you have any feelings with regard to the payment of the minimum wage to 14- and 15-year-olds?

Mr. WHEELER. In what context?

Mr. SARASIN. Do you feel that it is a justified expense, or do you think that you could stretch the dollars further if you were able to pay something less than the minimum wage to the youngsters?

Mr. GIBSON. Let me answer that.

We have had this question, in fact, for the last 3 weeks here in Washington. It is my personal feeling, and mayors around the country might have different opinions on this, that I would like to pay less than the minimum wage and be able to train many more of our young people for the job market rather than be saddled with the requirements to pay the minimum wage. How much less is a debatable question.

Mr. SARASIN. Several of us have attempted to work that into the legislation and have not been successful. We run into the argument that we are talking about equal pay for equal work. Frankly, I do not think we are talking about equal work with the youth employment program.

While that may exist in some situations, I do not think that we can treat that universally. We ought to have a flexibility in the program

to put more young people to work at a stipend rather than the minimum wage. It would seem to me that a 14- or 15-year-old—even a 16- or 17-year-old—does not need that amount of money.

He would be perfectly willing to work, and still make a contribution to his family, for something less than that.

Mr. GIBSON. You and I agree. The problem is going to be, when you get involved in this dispute, that the labor organizations around the country have different opinions. Generally, they would be in opposition.

My own personal feeling is that we can actually give many of our young people an opportunity to understand what the world of work is all about and they would be happy learning—this is a learning process, at a lower salary than a minimum wage—if we were allowed that flexibility.

Mr. SARASIN. I agree with you. I frankly think you should be allowed the flexibility.

Let me ask you, Mayor Gibson, on page 7 you talk about private sector involvement, particularly in the training programs.

Do you feel that some form of a tax credit would be helpful in this area to encourage the private sector to take, not only young people, but all of those eligible under CETA, into their training programs?

Mr. GIBSON. Yes, sir, I do. I think the answer might be tax credits specifically targeted for training. I would agree, the private sector in our area, and I think, around the country, have greater knowledge about the training of people who are going to be using their operations than we have in the public sector. The program in Newark has been most successful when the private sector people were participating in the actual training of the young people who were going to be hired, and they were training for jobs that were available rather than, in many cases, I have seen training programs in many parts of the country that would train young people for jobs that were nonexistent.

We have not had that in our city, because we have used the private sector people, actual foremen and other people in the private sector, to do the training.

Mr. WHEELER. One of the forms, Congressman, is the OJT form as against the institutional training form as such, where the advantage is the private sector hires first and trains subsequently.

What you do is get 2 for 1. As we look at it, we get somebody hired into a job and we know that they are going to be trained in the skills for that job. What we do through our program is help offset that cost up to 50 percent of a given contract.

Mr. SARASIN. What about the ability to move up? The individual who has been carried through a CETA program into an initial job slot, there is no funding available to move him along to a second slot that would open up that primary slot.

I wonder if you have any comment on that?

Mr. WHEELER. That is possible under the present jobs program, because what you do is gear your jobs to the scheduled jobs of the municipality plus a master pay scale so that there is some degree of career ladder involved in the process.

However, it is limited based on the dollars that we receive.

The name of the game, when you look at a city like Newark with an unemployment rate of between 17 percent and 20 percent is to

get as many people involved in a job of some sort as you humanly can, not forgetting that there is the obligation of dealing with a career ladder and trying to find ways for upward mobility for those who are in the program.

Mr. SARASIN. With the increase in jobs that you would like to see in the public service area, would you place those in title VI or title II?

Mr. GIBSON. Mr. Wheeler.

Mr. WHEELER. What we are suggesting at this time is that it come through title II. It was not too long ago that we received some additional money that was originally earmarked as title VI and it came through title II, and we utilized that.

What we are suggesting is that the dollars at this point be concentrated in title II, as such.

Mr. SARASIN. Of course, there has been a blending of the two titles——

Mr. WHEELER. That is true.

Mr. SARASIN [continuing]. In an attempt here, at least, with respect to title VI money, to target it more specifically to those people who are long term unemployed, the AFDC individual and for projects to try to get people into a program and out of a program, I think, before we create too big of a monster that we can never turn off.

Mr. WHEELER. We do not have that problem in the city of Newark. We have a blend, including the community-based organizations, the social organizations, et cetera, working as a team. We get into the participating fine arts people, so we have a cross section of those involved in our whole CETA jobs process.

Consequently, our posture is that which is being suggested as it relates to the project method is an integral part of the Newark process and the process of CETA.

Mr. Mayor, your have done an excellent job. My colleagues and I thank you for taking the time to come here today and help us determine the direction in which we should be proceeding.

It has become painfully apparent that a large segment of our labor force is comprised of persons desiring to work but unable to obtain work for a variety of reasons. For many years we have tacitly accepted an unemployment rate between 4 and 6, even 7 percent, mistakenly believing there was no long-term solution to the problem, and even worse, an impression that about 50 percent of these people were seasonal or part time workers not seeking full-time employment. We now know that these people are not on the unemployment rolls by choice and are, indeed, seeking full-time, year-round employment. Our job is to help them become full-time productive workers by whatever means available to us. I am confident that under the leadership of our dedicated subcommittee chairman and with the help of persons like yourself we can achieve these ends.

One disturbing aspect of our present job-training program that I must mention is the failure to consider the long-term labor market needs in terms of viable job training. I want to see specific statutory language that assures that when a person receives training for a specific job, that job or one requiring similar skills is extant when the training is completed.

Mr. GIBSON. Not only Newark, but a process across the country.

Actually, in our process, we have had people from the community-

based organizations as a part of our planning from the beginning of the programs, continue as a part of the planning and a part of the advisory group and sit on that group throughout the process of the program, so that it is not a planning effort that takes part by city officials, and we call in other people and tell them what we have. They participate in the planning process and development of the program.

Mr. SARASIN. Thank you very much, gentlemen. I have gone well beyond our allotted time.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Dent.

Mr. DENT. Mr. Chairman, I am sorry that I missed the presentation. I do want to welcome the mayor and his colleague here today. I think that it is very important that we hear from those who have the task of carrying on the job of performing under the acts that we have passed. Their first-hand knowledge has always been the best advice that we get. Without their advice and counsel, it would be a worse problem than it has been, in some cases.

Watching the progress of the mayor since he has been here, you have done an excellent job and we ought to thank you for taking the time to come here today and help us renew this act as best we can and correct those things that have proven not to be workable or profitable to the people involved, nor the Treasury of the United States.

We have the situation growing more apparent today, the permanency of a certain number of unemployed in this country. We have never really faced up to that and realized that is just that kind of a condition. While we accepted it for many, many years, a permanency of unemployment in this country running from 1.5 to 2.5, maybe 3 percent in certain periods of time, we always recognized that about 50 percent of that unemployment was a floating unemployment, periodic unemployment and the other 50 percent was people who had never looked for jobs.

Now, we have something different. We have unemployment not desired by the unemployed, not sought by the unemployed, and we have not been able to do anything about it except temporary patching here and there.

I think that after we are through—and I am sure you have a most dedicated chairman in this committee of the Congress of the United States—that we ought to develop with your help, and others like you around the country, a remedy for the permanent unwilling unemployed persons in America, whether it is job training or whatever it is—I congratulate the gentleman's statement.

Ever since the beginning of this country, even if it was just handsawing wood for housing, you handed a man a saw and taught him to use it. Today, we have trained so many people under this program and others that there was no job waiting for them when they were trained. We know now that if we give you the job first, then you are trained for that job, at least, and you can, as opportunities come on, step into higher grade jobs, as most of us have done in our lifetime.

You have given us a great deal to think about, and a great deal of help, and I thank you.

Mr. HAWKINS. Thank you, Mr. Dent.

Mr. Beard.

Mr. BEARD. Thank you, Mr. Chairman.

Mayor Gibson, this is my second term on this committee, and I have read your statement about the 750,000 public service jobs that has been recommended. You mentioned the world of work; of course, this is geared to the world of the unemployed, people out of work, collecting unemployment compensation, people out of work not collecting it at all, people out of work collecting welfare.

I was wondering, what is the mayor's position, what is his program in regards to trying to take some of the people who are on welfare who could work, what is his program in that area, when these jobs become available, to slide these people into the slots? What action has been taken?

Mr. GIBSON. Many of the people you are speaking of, sir, are the people we are talking about. Basically we are talking about the able-bodied people who are able to work.

In the city of Newark, the State of New Jersey—in fact, after talking to mayors around the country—the people who are unemployed, receiving unemployment benefits, many of them receiving other social programs such as welfare, frankly would rather work.

Now, there are always a few people who do not want to work. We are not talking about them. The percentage of people who really do not want to work, able-bodied, is so small as to not be counted into the categories that we are talking about. Again, we can deal with those separately.

Let us talk about those who are on welfare or on unemployment who have no job, no opportunity for a job, especially in the national economic situation that we have today.

If we could stimulate the economy, provide public service employment, we could reduce the welfare rolls in Newark and around the country, reduce the unemployment rolls, no question about it, because after the unemployment rolls, after that expires, that goes to the welfare rolls. We could reduce both of those.

I do not suggest, with 750,000 job slots, it would eliminate the unemployment problem in this country, nor could we eliminate the welfare problem.

We could take some steps and stimulate the job market; to the extent that we could help, we could certainly help.

Mr. BEARD. What I am trying to get across, it is our job here to try to provide these jobs. That is what you are asking for.

Mr. GIBSON. Yes.

Mr. BEARD. I am asking you, as head of the mayors, what are the mayors doing? What has their plan of action been to try to cut down—what percentage of the welfare, for example, was put into the CETA program, CETA jobs?

That is what I am interested in.

Mr. WHEELER. When you ask that question, then you have to deal with the history of the legislation. Understand that the welfare recipient enjoyed a particular priority under EEA, then under early CETA, then you got to the point where the top priority went to those with 15 weeks of unemployment, then the unemployment insurance exhausted, et cetera. That was a mix.

In the city of Newark, one of the things that we attempted to do was to make sure that there is balance in the kind of people that we give jobs to who are unemployed, on the welfare rolls, an unemployment exhaustee, those of long-term unemployment. What you find in the city of Newark is a mix of these respective priorities, particularly as they relate to the development of the legislation, going back to EEA 1971. That is how we approach it.

Mr. GIBSON. To add to that, we did, around the country—all of the mayors followed the guidelines that gave certain priorities to welfare recipients in the early stages.

Mr. BEARD. It is important. The person who is unemployed, drawing unemployment compensation, is drawing off the system; the person on welfare is also drawing off. I think they should be considered top priority, people who are virtually drawing off the system.

Mr. WHEELER. At periods of time, in the history of the legislation, the two that you mentioned have been top priorities. At this particular moment, they are not.

When you examine the current legislation, they are a part of the top priority. They are not the top priority.

Mr. BEARD. I think they should be.

Mr. WHEELER. I am giving you an indication of how it exists at this particular point in history.

Mr. BEARD. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

Mayor Gibson, I would like to ask you a question with reference to long-term gains that your city has gained. I am interested in the improvement of older cities, and rebuilding them, with respect to housing, sewer lines and water lines.

Mr. GIBSON. Let me begin by saying that the city of Newark is over 300 years old.

Mr. MYERS. I am from the city of Philadelphia.

Mr. GIBSON. We are a very old city. The physical elements of our city—some of our physical, structural elements, are very old. What we have done and the use of the public dollars in this area is to put many of the people we are talking about to work in the areas of what we call deferred maintenance, projects to refurbish many of our streets, roads, bridges, sewers, water lines which have gone for many years without maintenance.

Again, we have not done enough in this area. This coming spring, with the kind of weather that we have had in the northeast and around the country, you know the history of the potholes that begin to appear after the first thaw comes, we are going to have some very serious problems with our dollar allocations for not only the procurement we are talking about here, but the public works area.

We have done a lot. The city of Newark has improved. We have paved thousands of miles of streets in the city of Newark. Not enough, not all of them. We are going to have a much greater problem this spring and this summer.

One of the reasons we say that we think that this is a modest figure is because of the weather conditions, the effects of which we will not even feel in many of our cities until the thaw comes.

Mr. MYERS. In the city of Philadelphia, we are faced with 40 percent unemployed. Are you moving in the direction, of getting some of these unemployed, skilled men to perform these jobs?

Mr. GIBSON. I am glad you asked that one.

I met with our building trades yesterday in the city of Newark. We are in total agreement. The building trades and I are not always in agreement because of some affirmative action problems I have with the building trades. With the unemployment rate that they face—their unemployment rate is the same as the unemployment rate of minority youngsters in the city of Newark, which is unusual for them.

Therefore, we are in agreement on the kinds of programs that we need in the city of Newark. They would like to, in many cases—this is unusual for them—reduce their compensation in order to be employed. I have never had that kind of discussion with the building trades before.

This is the kind of thing we are approaching in the city of Newark. In fact, we are going to make application for programs to increase their employment with the flexibility, on their part, to reduce their compensation.

This is a great step, I think, to get some of their people back to work.

Mr. MYERS. I agree, Mayor Gibson.

In Philadelphia, similar moves are being made. Our building trades have indicated that they will take less salary. They are already trained in their areas.

Thank you. Thank you for your comments.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. LeFante.

Mr. LEFANTE. I notice in one of your requests urging the subcommittee to consider the expansion of the title III summer jobs program where you make reference to the OMB poverty guideline——

Mr. GIBSON. Yes.

Mr. LEFANTE. $5,500 for a family of four. You are suggesting that if that figure were relaxed it would increase the slots to 1,760,000 at an approximate cost of $220 million over and above the $890 million. That is per your statement.

If you relaxed that figure, what would the new ceiling or maximum be? Do you know, offhand?

Mr. WHEELER. They are talking about an average approaching $7,000 for a family of four. One of the things that has happened in the history of this whole matter is that many cities around the country have complained bitterly about the unrealistic poverty guidelines for a family of four. In particular sections of the Nation, based on the cost of living, et cetera, what this is doing—if you would permit the relaxation and thereby have a higher income figure for four, that could generate just that many more youngsters who would be eligible, therefore, the additional dollars to complement that particular process.

Mr. LEFANTE. It seems like a good investment, to spend $220 million to employ an additional 264,000 people, a good investment. I was just wondering what effect that would have nationwide.

Mr. WHEELER. Basically what it does is to broaden the universe of participation.

Mr. LEFANTE. Ultimately our goal?

Mr. WHEELER. Certainly it is desirable.

Congressman Hawkins, did you have a question?

Mr. HAWKINS. It was just a clarification of Mr. LeFante's question. It is my understanding—and I may be wrong—that the upper limit which has been suggested is the 70 percent of the lower budget standard, which was a year ago roughly in the neighborhood of $6,500 rather than the $7,000 that you mentioned.

Mr. WHEELER. It is now approaching $7,000, as I review the data.

Mr. HAWKINS. Your answer, then, is reasonably correct to Mr. LeFante's question.

Mr. LEFANTE. That seems more reasonable in today's society.

Mr. GIBSON. For a family of four, yes, sir.

Mr. LEFANTE. Even that is not realistic, if you want to be honest about it. Something that probably could be worked with in the intent of the legislation.

I was excited to see the Conference's position with regard to the private sector. I think that between—I am going to marry the two; if you do not agree with me, tell me—vocational school training, vocational education, and the private sector—I think that these are two areas that we in government have neglected with regard to unemployment.

Most people, when they think of the private sector, think of how many jobs they are going to offer us, or what they can do to help us out.

I know, as a city official, what you are going through back there. I had 8 years of it. I do not envy you, sir.

I was wondering, if our programs in regard to vocational training, vocational education, if we were to coordinate or correlate them with the private sector and the building trades, including labor, if we could develop some sort of program with Federal funding that would, as Mr. Wheeler referred to so strongly—and I agree with you 100 percent—involve the on-the-job training procedures; has Newark considered, or become involved in, anything like that?

Mr. GIBSON. Yes, sir, we have.

Mr. WHEELER. We have a substantial OJT program. We participated in the internal struggle of institutional training versus OJT, and historically we had always taken the position that the best of the two was OJT. Consequently, within our plan for the city of Newark, we have a substantial OJT program.

Mr. LEFANTE. What, in your opinion, Mr. Wheeler, do you think is the most effective means of creating jobs in the private sector?

Mr. WHEELER. Basically, what you need is—for lack of a better term—what I call "moral persuasion," making the fellows in the business sector realize that it is not just a social do-good kind of matter, but it is basic economics, that no nation can endure if it is going to waste its manpower, its human resources.

If you accept the principle that job creation belongs to the private sector, then it becomes mandatory that you work 110 percent to involve the private sector in the most meaningful manner possible in the generation of jobs, and thereby generating a more healthy economy.

Mr. LeFante. Under your term, that would be considered moral persuasion. What can we do to induce that? It might be incorporated with fiscal persuasion as well.

What can we do to persuade or induce?

Mr. Gibson. If I might, Congressman, the question was raised whether there should be some consideration of tax benefits for participation or for on-the-job training and development of jobs in the private sector. I think that is a good idea, something that should be considered.

In addition, I think we should consider that one of the reasons that many of the people in the private sector shy away from government and government-type programs is the paperwork, the inflexibility of some of our approaches.

Mr. LeFante. Redtape?

Mr. Gibson. That term, if you want to use the term.

Some of the contracts and paper that had to flow for some previous programs were the kinds of requirements that caused people not to participate with us. Frankly, for one or two job slots, for instance, we had to do things that were almost impossible.

Many of the people who could provide the jobs did not want to be bothered. They had to hire the people to do the paperwork, therefore there was no benefit to participating in the program.

I am not suggesting that there not be accountability. None of us want to get involved in not being able to account for the dollars. We really should not require forms in triplicate for everything in order for us to get business to participate. I think we can do that without losing the accountability function.

Mr. LeFante. I think you can apply that thinking to almost every single branch of government that I have been involved with in the short time that I have been here. We are going through the same thing in small business, paperworking ourselves to death.

What I have in mind—this is just off the top of my head; I do not even know if it is legal or permissible. If we were to induce the private sector—Mr. Wheeler, maybe I should direct this question to you—if we were say, as a governing body, that these CETA funds would be available at $2.00 an hour for an individual that we could send to the private sector for on-the-job training. They, in turn, add 50 cents or 80 cents or $1.00 per hour. Would that be an inducement to industry to take someone into their local establishments?

Mr. Wheeler. Yes; it would be an inducement, but I hasten to point out that you have some form of that now in the OJT process.

What you say to the employer is, hire this person at x dollars an hour. He is to be hired and trained. For the period that you train him, we are prepared to pay up to 50 percent of the hourly cost for that individual, plue some support of services. What that really says in the economics is, the normal amount of money an employer spends to train an individual whom he hires to get to a certain production level, at least half of that cost is brought to him through this program.

To some degree, there is some form of that taking place, of what you have suggested.

Mr. Dent. Mr. LeFante, if I may interject here. We have already created training programs along that line. Our present training programs supposedly operate exactly on that concept.

For example, we allow an employer to pay workers a percentage of a wage equivalent to the service rendered as a trained worker. The Government pays the rest of the wage as training benefits. When a worker has been trained to where he can do 100 percent of the production, they pay his entire wage.

Mr. LEFANTE. I agree.

Do we have a situation of competitive input?

Mr. DENT. Certainly. That is how it is established. Most jobs are based upon work schedules.

Mr. WHEELER. Incentive rates.

Mr. DENT. If a person can do 10 percent of the production that a fully trained person can produce, the company pays that 10 percent.

Mr. LEFANTE. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Weiss?

Mr. WEISS. I only have one question.

Mr. Mayor, I appreciate your detailing the extent of the crisis in youth unemployment. In New York, you know, we have at least the same level of unemployment of minority youth which you have in Newark, probably a little bit higher than 40 percent, at this point. It should be clear to all of us at this point, that if this situation is allowed to continue, we will be asking for major social upheaval.

We cannot continue as such a society.

I would like to ask you a question, mindful of what has been done with the summer youth employment program, and with CETA, concerning your reaction to the arguments which are being made in opposition to increasing the employment aspect, the job aspect, of the President's stimulation program, vis-a-vis tax rebates or tax cuts, and which state that you cannot create that many jobs that quickly.

It seems to me, from the figures which you have cited for summer youth employment—as to what has been done in the employment of youth in summertime jobs—that you can do much more than is believed by those who are arguing against such programs.

Would you like to comment on what capacities the cities will have to create jobs?

Mr. GIBSON. Yes, sir.

As I said, the survey is a practical survey. What we can do—I still say it is modest based on what is happening with the weather since that time. This summer we are going to have monstrous problems in our city in dealing with the effects of freezing.

I have water pipes in my city that have been broken for a week. We cannot get to them because of problems.

Some of the problems of waterflow have not really hit us because there is still ice, which helps us maintain the waterflow. When these streets and other of our public works facilities thaw out, we are going to have problems that literally thousands of people will not be able to handle in the cities.

That is just one part of our problem.

Last summer—forget about freezing and thawing problems—last summer, the city of Newark had 10,000 job slots—as Harry Wheeler just pointed out, 10,000, the city of Newark only hires 5,000 people totally, adults, all year round.

We not only hired the 10,000, used the 10,000 job slots, we actually participated, had 12,000 people participate in this program for 10,000 slots. This is what we had last summer.

Not only did we clean up lots, but we took care of senior citizens in the city of Newark.

We have, in many of our cities, abandoned senior citizens for certain periods because we do not have anybody that can go and participate with them in programs. We actually had young people taking senior citizens places, shopping with them, for them, providing care, day to day care for senior citizens—feeding them, actually, in the city of Newark last summer.

We had young people who never had job experience actually get trained in the library sciences, working in museums, providing the kinds of water department repair jobs, just normal, forgetting about freezing and thawing. We had 12,000 participate in Newark in a program that had no emergencies as we are going to have this summer.

I know that this is an accurate survey.

Mr. WEISS. If 60,000 a month for the balance of this fiscal year is a modest estimate, what would you consider to be an average, fair estimate as to the number of people you could actually put to work?

Mr. GIBSON. I do not want to do that, Congressman, because we really have not done that survey. I can only speak now for what I know is going to happen in the city of Newark.

We did a survey as a result of a question that was raised in one of our previous congressional committee sessions. We went through and we actually documented this for the cities.

For me to guess now, I think, would be a mistake.

Mr. WEISS. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Corrada.

Mr. CORRADA. Thank you, Mr. Chairman.

Mayor Gibson, I want to thank you for your excellent statement before the subcommittee. My only regret is that I am seeing you again in this weather. The last time I saw you was down in Puerto Rico and we were in the high 70's. I wish I could provide the same kind of weather for you here today.

Mayor, at the bottom of page 5, you state that the survey has been conducted; as a result, the survey reflected that cities could hire and find jobs for 70 percent more youth than were served last summer.

This would represent approximately 1,496,000 youth slots at a certain dollar costs. We are approaching now the summer of 1977. I would like to ask you, in terms of what the demand will be for these jobs, as you specified them in your statement, what the level of funding will be, and how will it compare with the needs that you are stating in your testimony?

Mr. GIBSON. What we have done, sir, is outline what we think are modest needs—not needs, really, but the ability of the cities to implement summer programs based on this survey.

We think the needs are much greater, but, again, to guess at those would be a mistake. The problem, however, is being able to process the number of young people and use them effectively during a very short period of time. That has been our problem.

Without having the knowledge in advance of how many job slots we would receive, how many dollars are available—as Mr. Wheeler pointed out we put aside money, planned, been ready, actually almost implemented programs, in many cases, without knowing how much we had available.

The reason we had done the survey in advance, the reason we are talking about dollar levels and job slots now is that we do not get caught again in that problem this current summer.

The recruiting effort in Newark is the same kind of recruiting effort that is taking place around the country. When we open up our school intake centers to hire these young people, they have been mobbed with thousands of young people. Many young people whom folks say do not want to work, thousands of young people who stand in line for hours and hours to become eligible for these jobs.

We have applications from last summer that we were not able to even talk to students because the slots were exhausted very early in the program.

Our problem has been really taking in the people and using them effectively. We say we can use effectively the additional job slots we outlined here.

Mr. CORRADA. Do the mayors, generally, throughout the nation believe that they are going to have the necessary funds for this summer's youth program at the level that they will have demands for these jobs?

Mr. GIBSON. We will have demands that will be far greater, far greater, I know that now, than the job slots and dollars that we have available. I know that.

Mr. CORRADA. Is there any proposal made by the Mayors Conference, or some of the mayors themselves, as to how to possibly remedy that situation?

Mr. GIBSON. The only real remedy is to talk about additional job slots. If we could have some reasonable expectation of receiving what we projected here, we know that we could provide an effective program for you this summer, so effective that we think we could come back to you next summer and say we could ask for more.

Again, I want to make it very clear to you that if you were to authorize the number of job slots and dollars that we have here we will still have people who will still be looking for jobs that we could use. The problem is, Can we anticipate—when can we anticipate, when we can start processing applications and therefore anticipate being able to use the people?

Mr. CORRADA. Are there any specific efforts in terms of fiscal year 1977, to increase the level of funding for the summer youth programs?

Mr. GIBSON. Yes, sir. This is our request. If we receive this, this is what we could use effectively.

Mr. CORRADA. What about the regular programs under CETA title II and title VI in terms of increasing funding for the current fiscal year 1977?

Mr. GIBSON. Yes, sir.

We have, as a part of our package—and we submitted that for the record—you will see that we asked for titles II, III, and VI increases as a part of our recommendation for the economic stimulation.

Mr. CORRADA. For the balance of this fiscal year?

Mr. GIBSON. Yes, sir.

Mr. CORRADA. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Corrada.

Mayor Gibson, I again want to thank you and Mr. Wheeler for your very excellent testimony. I am sure there are many other questions we would like to ask, but since there is a long list of witnesses, we will forgo it.

We will take advantage of the offer you made to keep constantly in touch with the subcommittee, and certainly we will be calling on you from time to time for additional comments and suggestions. Again, the Chair would like to express the pleasure that the committee has had by having both of you gentlemen here this morning.

Mr. GIBSON. Thank you very much, Mr. Chairman.

Mr. HAWKINS. The list of witnesses is rather long, but we are going to hear from every one. Beginning with the Chair, I hope we can all make the questions as direct and brief as possible.

This is not a suggestion that all of you leave. It is the intent of the Chair to try to continue just as long as we possibly can maintain several members here and listen to the other witnesses. We will go beyond the noon hour, I suspect, but we will attempt to carry out the program.

Mr. Robert Eisner, professor of economics, Northwestern University, Evanston, Ill., is our next witness.

Mr. Eisner, I will forgo the usual comments. You have been before the committee many times. We have always benefited, by your presence and by your generosity in affording us time.

We understand you do not have a prepared statement. I agree, in this instance, with the minority, that the meeting was scheduled rather hastily and did not give some of the witnesses adequate time to prepare their statements. However, we are pleased to have you before the committee today. You may proceed to deal with the issues that we had suggested, in whatever manner you prefer.

STATEMENT OF ROBERT EISNER, PROFESSOR OF ECONOMICS, NORTHWESTERN UNIVERSITY, EVANSTON, ILL.

Mr. EISNER. Thank you, very much, Congressman Hawkins. I am happy to be before you and your associates again. It does seem to me that you have a most important set of duties in this committee and I hope that by exchanging some thoughts with you, I can be of some help.

I do have the suggested questions that Chairman Hawkins sent to me for possible discussion. I may touch on them, but I think I should try to be rather brief, and offer you the opportunity to press me wherever you think I can be of any assistance.

In general, as I testified before, the committee—the subcommittee then chaired by Mr. Daniels last year—it does seem to me that the attainment of full employment is probably the most important single task for our domestic economy.

By full employment, I mean a situation in which all who want to work can work.

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I think it is important to try to keep that issue separate from any other issue that desires attention, such as better distribution of income, such as reallocation of resources through different kinds of production that some may consider more desirable than the kind of production that we now have—not that I consider those other issues unimportant, but it is important to be clear of what we are trying to do and not let other things get in the way of achieving full employment.

That means that I would advocate a set of measures, many of which you have considered and some of which, of course, have been adopted but require expansion, which would increase employment without regard to race, to sex, to the income of the family, and the like.

I think everyone who is willing to work and who wants to work should have the opportunity to work. I think that in due course, measures that are directed toward achieving full employment will inevitably help those who are most without work now, which, for example, would include youth, blacks, women, and many others marginally in the labor force.

With the aim of trying to get everybody to work, it would be important to target measures directly at those areas of unemployment—and this may, indeed, then, require a particular kind of focus. It does not seem to me that measures to achieve full employment should readily be allowed to become the vehicle for those who have the desire to increase the public sector, but similarly, I do not think they should be the vehicle for those who want to reduce the public sector and merely increase private employment.

I do not think that we should allow these programs to be vehicles for those who would look for special tax advantage. Our concern is not to ease people's tax burdens. Our problem is to get everybody to work and restore full production.

In that context, I have various reactions to the current set of proposals from the administration and those being considered in the Congress. I am now beginning to focus on some of the questions that the chairman has addressed to me.

In the first place, our goals thus far have been much too modest in the reduction of unemployment. We had unemployment below 4 percent beginning in 1965, as I recall. We have had unemployment below 3 percent. We have, at times, been able to reduce unemployment rapidly.

I should think in terms of targets—and I am picking numbers; clearly, it is hard to know how it would go, but it would hardly seem unduly aggressive to aim to reduce unemployment to 6 percent by the end of 1977, to 4 percent by the end of 1978, and then onward by measures which certainly would go beyond merely manipulating aggregate demand, reduce unemployment further as the years proceed.

In terms of how to go about it, it is clear to me—and I think to most economists—that there is a shortage of aggregate demand, a combination of unfortunate fiscal policy and I still think a too-tight monetary policy, although I do not place the major burden on that, which has brought us into this serious recession from which we are hardly fully, if significantly, emerged.

I would favor measures to improve aggregate demand. The tax rebates that are being talked about are, unfortunately, a singularly in-

efficient way to do this. I cannot say that they do harm, but if the Congress, for political reasons, I think, is under a constraint as to how much can be spent, how much tax revenues can be given away, to give away $11 or $12 billion out of the $30-odd billion tax rebates, despite the evidence that temporary changes in taxable income and taxes have had rather small and slow effects upon demand and production, on employment strikes me as unfortunate.

If we could keep that, and add other things, I would not cry too much, but if they were restricted, measures in public employment or other tax measures about which I am going to suggest, it seems to me quite unfortunate.

On the matter of the evidence of tax surcharges and tax cuts, that is changes in income taxes, both, to me, in theory and in historical fact, the picture has been quite clear. The theory, I might remind those of you who are not economists—I do not know if there are any with economic backgrounds on this committee, professional economists—comes from the conservatives such as Milton Friedman who point out that people's expenditures do not depend upon the income of 1 day or 1 week or even 1 quarter, but depend upon, in the long run, as permanent income, a life cycle.

In 1968, we had a big tax surcharge. What happened was that people went on spending about as before, and the saving rate went down.

In 1975, when you had a big tax rebate—I can give you the figures right out of the economic indicators. In the second quarter of 1975, again, this time the saving rate went way up and it was only a modest ripple in consumption expenditures. And I would rather fear that a fair amount of the tax rebate would have the same effect now.

Some of it will be spent. It certainly will not hurt. By the way, I am not at all convinced, I have to confess, as much as I would like to help the poor that the poor are likely to spend more of the rebate than the rich because the poor may have debts, the grocer to pay off, installment plans to catch up on, and a few of them may try to save a little bit for the next month or the heating bill that is yet to come.

So that it is not clear that it makes that much difference whether you give it to the rich or the poor. Again, here on equity considerations, I can grant you I cannot see any great need to reduce taxes of our upper income people.

What that leads me to, then, is a set of proposals on which I feel somewhat more expertise, than much of the admirable provisions of CETA and the efforts to stimulate employment in the public sector, and that would be at least to change our tax laws so that we do not penalize employment, particularly to change our laws so that we give some encouragement to hiring the young, those with little experience in the labor force who need training, who need actual job experience.

I think that the most important job training that one can think of is simply having a job. Particularly among youth, a great problem is literally millions of youth have no experience, no training, do not know quite what it means to subject themselves to the regular routine of a job, and even for those of them who do, the employer has no good way of distinguishing those who do from those who do not and hates to take the risk of hiring them.

As you all know, when you hire someone, it is the same question: What experience do you have? The poor fellow who has no experience is up against it, and the nature of labor markets is such that he is not readily reached.

Therefore, I would suggest the following, then I would be very happy to have you press me in any direction where you think that I know anything.

I would urge, not as a substitute for the various measures of training and public service jobs, or even public works, but as a supplement, we owe to the tax law which currently stands that businesses get a tax credit of 10 to 12 percent for buying equipment and pay a penalty, if you wish, a tax of 11.7 percent, for hiring workers. We owe to that, to end that distortion against employment and alter it most significantly for those who seem to be most in need of job experience and where you feel that the job markets are such that they are not being hired, and where one cannot expect free enterprise private firms to act in their own interest to hire people.

I might just interpolate there. I am a great believer in leaving the free market to be free and encouraging it to be free wherever we can. I think, along with that, must come a sober realization that a free market inevitably breaks down in certain instances, particularly in the field of labor, particularly as we are not a slave economy.

Therefore, it does not pay, ironically, employers to hire people, to train them, because if they do not have the requisite skills to begin with, it does not pay them sufficiently to hire them, because if they do work out, they can go somewhere else, once the employer has invested the effort in giving them experience and training them. And that means that there is a gap between what the job is really worth to society, what it is worth to the employer.

The employer might feel, well, if I pay this guy $10,000 a year and the first year or two he is only earning for me about $5,000, it is true that training will make him very valuable to employers over all the years in the future, but not to me; therefore, it does not pay me to hire this untrained risk from the ghetto, or some youth anywhere, or somebody without experience generally, or even somebody who has been unemployed for a long time and has sort of lost the habit of working.

Let me then come up with my urging and suggestions for intervening, if you wish, to encourage investment in human capital and bridge the gap between the social productivity of labor of certain types and the productivity of labor to the individual employer. This would involve any one of several measures, and there are several of them.

There is one that I suggested some time ago, perhaps I mentioned here last year as well, which would involve simply suspending, eliminating or offering a credit for the 11.7 percent of payroll taxes for all those under the age of 22 up to the amount, let us say, of the base earnings subject to the payroll tax, which is now $16,500 per year.

That would mean that employers would have a certain incentive to hire the young until they have earned $16,500 subject to the payroll tax and by that time one would think that they would have enough experience that employers would want to keep them on.

Congressman Mikva has a somewhat similar proposal, somewhat more targeted to the unemployed, which he made to the House Budget

Committee, which I will be speaking to later today before the Ways and Means Committee. There are a number of varieties of various Congressmen, I think, on both sides of the aisle who have been entertaining it.

The proposal essentially would offer credits against income tax for the hiring of workers over and above those who are on the payroll in previous years. In his case, the average in 1975 and 1976, and this would offer credits to the extent that the payrolls were increased, the number of employees were increased, but would offer these credits only for the hiring of workers who had been unemployed over a period of time or, again, who had not earned up to a certain amount already.

That, then, would be targeted at the unemployed and at those youth or women trying to get into the labor force, people without much experience. That could be modified, particularly targeted, much more than 11.7 percent.

One proposal that I would be advancing to the Ways and Means Committee similar to something that came from Congressman Anderson's office—although I do not think he has introduced it—I would propose that we offer a tax credit of 50 percent on the increase in payrolls above, let us say, 105 percent of the previous year's payrolls for all new hirings of people who have been unemployed for, let us say, 10 weeks or more, and for those who have not as yet earned up to $16,500; these figures can be played with in their lifetime, subject to payroll tax.

The point of this, very quickly, is that there would be a great incentive to firms to hire the unemployed, great incentive to firms to hire youth, great incentive to firms to hire people who had relatively little experience. However, by setting a cutoff or a base of 105 percent of previous payrolls before any credit would be received, you would have the important effect of not squandering a great deal of tax money and offering a boon to employers and firms that do what they would be doing anyway.

This is not a tax relief proposal. It is a proposal to increase employment; as that you want a very high marginal effect, you do not want just a general spreading around of income or reduced taxes to people regardless of what it has to do with employment.

We say 105 percent; that might encompass the normal growth of firms given the gradual increases in wages, anyway. On the average, if a firm is going to be put into payrolls more than 105 percent of the previous year, that is likely going to be an increase in employment, and would also prevent them from using any such provision to fire some workers and get a credit on hiring additional new ones, which is obviously counterproductive.

Now, I should add I think it is a bit unfortunate to restrict this to a credit against income taxes, business income taxes, for several reasons. In the first place, rather obviously, you do not want to hurt a firm that does not happen to have taxable income and prevent them from having the incentive to hire workers, additional workers, because you want more people hired.

Second, we have not only business employers, but nonprofit employers, of which my major employer is one, Northwestern University. They are employers, State and local governments, school boards who

are employers, and I would like to recall my initial premise which is that we are ont trying to develop some particular partisan program that we have.

I should confess quickly that I think many Government programs should be expanded. Some, I think, could probably be reduced. Probably I should not offend one or the other of you by specifying at this point which I would expand and which I would reduce, but I do not think an instrument to increase employment should be biased to say we want more private employment, but we will not offer a penny to increase public employment.

Presumably we start with some mix, which we have differing opinions about. We do not want to change that. Therefore, I suggest that this kind of a credit, for that matter, the employment credit suspension, or paying for, could be directed to all employers. That means if you do have employers who are not paying income taxes because they are nonprofit institutions or governmental bodies, you would want to have a direct cash payment of the same amount and, by the way, for those firms who do not happen to be making taxable income in the particular year, you might well offer either carry-forwards or allow them to go back, or simply give them a cash payment.

Finally, I might add that a proposal of this kind could well be used on a long-run basis, because if you kept it on the books, it is true each company would have to run faster to stay in the same place. That might be a fine objective. Each year they would get a tax credit to the extent they are increasing their employment, and you could, I suppose, alter the amount. You might not always need it at 50 percent, as I think you might want it in this period of high unemployment, but it would be a perennial encouragement to firms to bring new people into work, and I think that, as I suggested, that is the particular point where the market economy breaks down.

Employers are happy to have workers, but they are not anxious to pick up marginal people from the labor force. They never have been, for understandable reasons. In one period, it may have been immigrants; now it may be more youth and blacks and women, but we want an economy that accomodates all who want to work, and that kind of proposal, I think, could help.

Mr. HAWKINS. You certainly have given a provocative presentation in your usual style, and certainly I want to commend you.

Do I assume from what you have said that you do not oppose the idea of using a fiscal policy to stimulate employment but that you would be more specific in its operation, and make sure that the incentive is written into the tax proposal?

In other words, are you tending to disagree with that part of the President's stimulus package which grants a reduction in taxes to corporations but requires no specific commitment to employment?

Mr. EISNER. I agree, Mr. Chairman, with your word "incentive" which I think is a key. What bothers me about the administration's package on both increase in the investment tax credit from 10 to 12 percent and the 4 percent pay roll tax credit is that they have a minimum of incentive effect. Ironically, by offering the option, it seems that even reduces the incentive effect, because a firm that might have an incentive to invest more if they have a 12 percent credit rather than a 10 percent, I do think the incentive would be minimal.

I have long opposed the investment tax credit as having a very low bang for the buck, as well as distorting resources, but this way, with the option, a firm may say, I was not that anxious to buy more machinery, and there is not that great pressure on me, because I can get 4 percent on just the payrolls I have.

Largely, it is a matter of reducing tax liabilities rather than offering incentives.

The way, I think, to get these incentive effects is not to reduce taxes on firms or on anybody on things that they would be doing anyway, reduce taxes on them only to the extent that they do the things that you want them to do. You do not really have to be that specific in the way of having to provide regulations which they have to comply with, but you can simply take the existing structure and apply the tax charges in a way which will not offer benefits for what they are already doing.

It is not that I object to reducing business taxes; in fact, I think that the business taxes will get passed on, one way or the other, to somebody else, depending in part, which taxes you reduce, but if you were to reduce business taxes, it should be then if you are interested in more employment and production, reduce taxes to the extent that employment is increased, not simply give a tax reduction across the board.

I will say that reducing employment taxes appeals to me no matter how it is done, because I think it is the wrong kind of a tax anyway. It is a regressive tax, it is a tax that penalizes employers for hiring labor. I do not think it is an appropriate tax.

A 4-percent reduction in the employer portion of the tax across the board is a trivial amount. It would have a minimal incentive effect.

Mr. HAWKINS. I have one other question.

It is not so clear in my mind whether or not the incentive that you speak of in terms of altering the tax laws follows the buildup of aggregate demand, or that it leads to it.

Is it not true that the hiring takes place because of the anticipation of aggregate demand, and that no employer is going to hire anyone unless there is some anticipation that the demand will be justified?

If that is true, then does that not reduce the need to provide an incentive?

You do need adequate aggregate demand. This incentive program will, in itself, create additional aggregate demand. There will be some reductions in taxes merely because of the fact that some firms are inevitably hiring more and hiring less anyway, and that, in itself then, will give some increase in aggregate demand.

Again, I did not offer this as a substitute for other measures, to the extent that aggregate demand is inadequate, it may be well to try to increase it, and that, as you all know, can be done by more Government spending, lower taxes, or by both.

Mr. HAWKINS. You are speaking of this within a context of a series of other things being done at the same time and not merely as the solution or the panacea for the employment problem?

Mr. EISNER. That is true.

I must confess, after considering this for some time, that this would be more of a solution than many of the things that we are talking about, or I think it could be direct and very speedy.

On this aggregate demand matter, aggregate demand is always relative to aggregate supply, to the cost of supplying goods, and to the extent firms feel that they can hire more people at low cost and keep their prices down, even lower then, that will tend to make demand higher.

Mr. HAWKINS. Thank you.

Mr. Sarasin.

Mr. SARASIN. Thank you, Mr. Chairman and Dr. Eisner, thank you very much for your testimony.

I think we are at a slight disadvantage because the jurisdiction of this committee does not extend to changes in the tax laws, but as I understand what you are saying, this would be a part of a greater package, perhaps a very important part?

Mr. EISNER. Yes.

Mr. SARASIN. The elimination of a payroll tax, as I understand your testimony this morning, would not be a loss to the social security fund? Those payments would still be made, but on the other side of the ledger, the credit would be?

Mr. EISNER. Yes. I would presume that, to make the public confident that nothing was being done to cause them to worry about the social security benefits, that the Congress would see to it that the fund was kept up. Many of the proposals involved having a credit against income taxes so the payments are made into the fund.

I guess it always offends me a little bit to have to go through this—taking with one hand and giving with another—but I would quickly concede that that would be the better part of wisdom, and not leave people the impression that you are tampering with the social security fund.

Mr. SARASIN. Do you think that this would place an intolerable burden on IRS to try to monitor?

Mr. EISNER. No; I should think not. In fact, the versions that I have been recommending would not be tied, as a number of others I have seen are, to the average number of employees, that any figure furnished by the Bureau of Labor Statistics as to average annual earnings really directly are related, it would appear, to data that the IRS is getting all the time.

Every firm has to make a report as to the wages subject to FICA. It does that every year. The data are readily available, and it would probably take a brief time to program the computer to check out the additional information that would be needed to check out the returns.

Mr. SARASIN. Incidentially, as I understand the administration's proposal with regard to the investment tax credit and the payroll tax credit, it was designed to provide an option for those industries that are labor intensive rather than capital intensive, that may not be able to take advantage of an investment tax credit.

Mr. EISNER. In fact, I welcome the payroll tax credit in itself. If I had a choice, I would eliminate the equipment tax credit, investment tax credit that it is called, and use all of that money for payroll tax credit; perhaps, again, better targeted towards youth or the unemployed.

What I am pointing out simply is ironically in the attempt to pacify, I gather, a lot of business protesters, presumed spokesmen for business—I do not know exactly if so many businessmen want more investment tax credit. I think they would be just as happy to have

a corporate tax reduction in rates—in an effort to pacify, given the option, remove the incentive effect. You are better off without the options.

If we simply had a payroll tax credit then firms would feel, well if I hire more people, I get a benefit. This way they feel, I will hire more people if I feel like it, buy more equipment if I feel like it. I will do whatever I was going to do anyway, and I will get my credit one way or the other.

I am suggesting that the option, rather ironically, reduces the incentive effect, although I have to confess it is trivial in amount; they are getting a 10-percent investment tax credit anyway.

In terms of helping small firms, I think there is some advantage to offering the payroll tax credit, because I have long tried to point out, as I trust many people are aware now, that the investment tax credit is built to help business generally, is a greater help in terms of tax burden to the capital intensive firms that are generally the largest firms in the country, much less help to smaller firms that are generally less capital intensive.

Mr. SARASIN. Do you think there might be another avenue here?

I am speaking—this is in addition to your other proposal—especially in the area of the youth unemployment, and that is to provide for some kind of a differential in payment with the minimum wage, apprenticeship wage, or something of that sort.

I would like to have your thoughts on that.

Mr. EISNER. That, of course, is an issue well raised. I find it preferable to meet the problem by a direct subsidy. It seems to me that the minimum wage is fairly low, at $2.30 an hour federally—I do not know how many States have it any higher, and you get much below that, except, as you indicated, I believe, to Mr. Gibson earlier in regard to the very young, it may be a question as to whether you are going to run into a minimum wage that is self-imposed. I do not know how many people would bother to take a job for $1.50 an hour and have to get dressed and have to pay carfare and have to have something withheld by a payroll tax and have something withheld for an income tax that they may or may not get back.

You may have reduced your official unemployment figures that way, because you will run into what we call voluntary unemployment. People will stop looking for jobs, to the extent that jobs are available are jobs for $1.50 an hour.

I guess I have had some feeling, and I noticed it was buttressed by a Brookings Institution study fairly recently, that the minimum wage does not really make all that much difference, and I wonder if it is worth the hassle with labor, organized labor, and many others who feel that a reduction or elimination of the minimum wage for any category is sort of opening the dike to excessive exploitation of labor, because, the fact is, labor markets are not perfect and many people are worth more, or at least the minimum wage, to employers who would not pay the minimum wage if they did not have to, and the worker would not know where to go to get what his product is.

I would tend to meet whatever problem there is on the minimum wage by subsidies which would enable employers to pay the minimum wage and still hire people who they doubt are worth the minimum wage to them.

Mr. SARASIN. Is that somewhat inconsistent in saying that the minimum wage is not important, at the same time we have to allow employers to hire through one method or the other less than the minimum wage?

Mr. EISNER. It is not entirely inconsistent. I do not think that—I am conceding that there may be some employment that is blocked by the minimum wage. I think it is a small amount. I would be happy to avoid blocking that, but I am also suggesting that if you did not have the minimum wage you would have voluntary unemployment that replaces what seems to be involuntary unemployment.

Instead of a kid being unable to find a job for $2.30 an hour because no employer thinks he is worth it, he would find jobs available for $1.25 an hour, $1.50 an hour, and he would figure that is not worth it, and he would rather hustle or steal or just hang around the corner or look for some kind of welfare payment, rather than bother.

I do not mean to generalize completely. There are certainly maybe some—I know some people can get babysitters for less than that. They are already exempt. There are secondary labor markets for people in areas where people are exempt from the minimum wage.

Mr. SARASIN. Of course, not very many. I have a feeling that we are pricing a lot of people out of the market, to give them that first opportunity to work, even in part-time jobs or after-school jobs that would inject them into the world of work, they are denied the opportunity, so they end up becoming part of the structurally unemployed when they are out of school, or when they drop out of school.

I just wish there was a happy solution.

I am interested in the suggestions that you have made. As I understand it, you are going to testify before the Ways and Means Committee today?

Mr. EISNER. Yes.

Mr. SARASIN. Thank you very much for your testimony.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Sarasin.

Mr. Myers.

Mr. MYERS. Mr. Chairman, I would like to ask the gentleman one question.

If I understand the gentleman correctly, you indicated that the tax rebate was not in the package presented to Congress. Do you disagree with the rebate?

Mr. EISNER. I think it is an inefficient way to stimulate the economy. If you asked me, should we have the rebate or nothing, I would say have the rebate. If we can substitute anything else for it along the lines that would be more productive, I would much prefer it.

Mr. MYERS. My idea is to use those funds to expand the CETA funding. Do you think that that would be a more effective method?

Mr. EISNER. In principle, yes, although I would not claim to be an expert on CETA, but by my knowledge of what that is doing or attempting to do, I think that would be a good investment, yes.

Mr. MYERS. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Myers.

Mr. Quie.

Mr. QUIE. No questions.

Mr. HAWKINS. May I apologize for not recognizing you earlier. I recognized Mr. Sarasin.

Mr. QUIE. I have no questions.

Mr. HAWKINS. Mr. LeFante.

Mr. LEFANTE. No questions.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. No questions.

Mr. HAWKINS. Again, Mr. Eisner, we wish to thank you for your time this morning and the ideas that you have presented to the committee. I certainly want to express gratitude for your response to our call, although sometimes it is hastily made and incomplete in expression. We are grateful for your testimony.

Mr. EISNER. Thank you very much, sir.

Mr. HAWKINS. The next witness is Mr. Leon Shull, national director, Americans for Democratic Action.

Mr. Shull, you are certainly no stranger to this committee or this Congress. We welcome you as the national director of the Americans for Democratic Action. In your role of leading that organization, you have made an outstanding contribution which we certainly recognize and we are certainly pleased to have you before the committee this morning.

Without objection, your prepared statement will be made a part of the record at this point.

[The prepared statement of Mr. Leon Shull follows:]

PREPARED STATEMENT OF LEON SHULL, NATIONAL DIRECTOR, AMERICANS FOR DEMOCRATIC ACTION

Mr. Chairman and members of the subcommittee, I am pleased to have this opportunity to appear before you today to testify on a subject that has been of grave concern to many of us over the past years—employment. In a country such as this where the disparities in income, opportunity and service delivery are so great, a job symbolizes much more than some level of economic security. A job means some freedom of choice in one's spending decisions. A job means access to better quality and more comprehensive social services. A job means greater access and fuller participation in the economic, the political and the judicial systems of this country.

Realizing the symbolic and practical attributes of a job, our long and losing battle of past years with unemployment is intolerable. Our lack of planning, the absence of a comprehensive employment policy, the lack of institutionalized structures that can quickly and effectively deal with rises and drops in the rates of unemployment, our long term policy of not balancing individual and human needs with those of the corporate world—all these have only served to intensify the social, economic and psychological ramifications of long periods of high unemployment. It would be nice if we could define full employment as the distinguished Lord Beveridge of England defined it: having more jobs than the number of applicants. But a goal of 3 percent in 4 years is realistic and is achievable. To pull back at this point, both from the long term goal of full employment and from a more immediate goal of drastically reducing the unemployment rate quickly would be outrageous. Rather we must combine efforts, energy and creativity to arrive at programs and structures that effectively deal with our immediate problem while also beginning the process of moving us toward realizing the goal of full employment.

Our immediate needs

The dimensions of the unemployment crisis are obvious with an official unemployment rate of 7.3 percent or about 8 million jobless individuals. Let me just add that this most recent drop in the unemployment rate is not due to any great upsurge in employment possibilities, but rather to roughly 500,000 individuals leaving the active labor force, because of discouragement or recent

weather problems. At least another million "discouraged workers" have left the labor force in the frustrating belief that jobs are unavailable. The real unemployment rate is 10 percent. But the unemployment rate, the lost production and economic growth, the lost gains for minorities and the poor are more than statistics. Behind the charts and graphs lie individual human tragedies. They include 3 million heads of household (many of whom are women) who cannot provide income for their families; it is a disproportionate number of construction and manufacturing workers without employment. It is one out of three teenagers who cannot find a place for their energies in the economy. And it is severe, and often arbitrary cutbacks in basic social services rooted in the dramatic loss of revenues experienced at the state and local level.

We must now turn our attention to the creation of jobs within the context of real public needs. Clearly, many jobs that will help close the gaps in the production of both goods and services can, and will be filled by the private sector. But past experience has shown that the private sector cannot completely absorb the large number of individuals who should and can be working nor is the private sector willing to undertake the risks and expenditures in the production of some vitally important goods and services. But more important we believe there are some very basic universal public services (health care, day care, etc.) that should only be provided through the public sector. Here, the government must assume an active role in the design and administration of programs that will allow individuals to have meaningful and productive work for themselves and for the nation.

It is clearly within the resources and capabilities of the nation to drastically reduce the unemployment rate over the next two years and to immediately begin the development and implementation of a full employment policy that will allow us to achieve 3 percent unemployment by 1980 the campaign promise of both President Carter and the Democratic Party platform. The fact that we have not been willing to attempt such an achievement in the past is no justification for dragging our heels now on what is a critical and essential element to our future prosperity and progress—the guarantee of a job for any individual able and willing to work. Clearly the task ahead of both reducing unemployment in half over the next two years and reaching a 3 percent unemployment level within four years is not an easy one. It demands aggressive leadership in both the White House and Congress, it involves the undertaking of certain risks by both public and private industry and it demands the initiation of creative and well thought out programs. Let us not deny the certain achievements of many of the programs of the New Deal and the Great Society. We are still surrounded by many of the positive results of the programs and their basic concepts—meaningful work, useful products for the nation, lessening the disparities in employment opportunities, income, service availability, education among income groups, races, sexes, ages are ones we should continue to use as yardsticks as we develop policies and programs for the future.

Given that expansion of the job market to achieve a state of full employment must be our primary economic goal over the next years, the discussion of tax cuts and tax reductions to create jobs is inexcusable. The rationale for tax cuts as a job creating measure break down for the following reasons:

Tax cuts are a most expensive method for job creation. A Congressional Budget Office study found that the net cost per job after 1 year through tax cuts was $17,000 to $21,000. The comparable net cost for public service jobs was $2,600 to $3,500.

The direct benefits of tax cuts do not necessarily go to the geographic areas and groups in the country the hardest hit by continued high rates of unemployment. With the benefits of tax cuts spread widely across the nation, it is the very prosperous industries and individuals that benefit as much as the least prosperous.

Twenty-five percent of our adult population have incomes so low they pay no taxes. As most tax reduction proposals, in particular those currently being discussed, would only go to those individuals paying taxes, these 35 million people would only indirectly benefit from any tax reduction proposals. And these individuals who would receive no immediate result from a tax cut are the very people who would most quickly spend an increase in income on basic necessities.

But not only is the suggestion of using tax policy as a method of stimulating job creation ineffective, it also signals the renunciation of some of the vital social programs we have been crying for over the past years—welfare reform, national health insurance, day care, housing and many others. Immediate

temporary tax cuts and any further permanent reductions in both individual and corporate taxes increases both the process and the difficulty in beginning the structural reform that is necessary to meet the nation's social objective of putting people back to work, raising the quality of basic public services and realizing our full production potentials.

We find the present proposals for economic stimulation to be not enough. They are clearly not sufficient to reduce the unemployment rate drastically over the course of the next two years and to begin providing the types of programs and services that are necessary to reach a level of full employment within four years. But, according to the best economic analysts, the types of proposals now being considered by both the Administration and the Congress will not create sufficient economic stimulus to even achieve their own far too modest stated goals: a growth rate of 6 percent and a 1½ percent drop in the unemployment rate. (This represents only a drop of ½ percent in unemployment over what would be achieved without stimulus.)

We cannot afford such timid approaches to our present economic crisis—neither in the short term or the long term. We must immediately develop a more ambitious program of economic stimulus, larger in size and more oriented toward direct job creation. We suggest a program that would include massive increases in the number of public services, public works and youth employment programs. We also recommend substantially increasing the appropriations for countercyclical aid to the urban and rural areas hardest hit by the recession.

The need and the justification for such a large and immediate program is there. In a recent survey of 41 large cities, the Conference of Mayors found that about 180,000 Title II and over 150,000 Title VI CETA jobs could be handled immediately, thus putting over 300,000 individuals into meaningful and productive jobs. The range of jobs that could be filled through increased CETA and public works appropriations is endless. One possibility is a housing program that would allow for winterization and other basic low skill repairs on homes in areas of high unemployment, particularly of high minority and youth unemployment. Such work can be done relatively quickly, at low costs and would involve large numbers of unskilled workers. People could be put to work within 90 days of enactment of the program. Funds could be made available for wages, materials and supervision through a special block grant program which would be triggered when unemployment was a given level—7percent overall or a higher level of youth or minority unemployment. Allocations would be determined by the level of unemployment and the number of people unemployed.

This is only one of so many programs that could be quickly put into place, could employ substantial numbers of individuals, particularly those who are hard core unemployed and would result in the production of goods and services that meet individual and national needs. Clearly there are others—the National Park Service estimates that they could immediately put into place over 10,000 unskilled jobs in park and recreation areas. Over 125,000 professional and para-professional positions could be quickly implemented to re-open day care centers shut because they cannot comply with federal staffing requirements. There continues to be huge gaps in the delivery of such basic services as health care, day care, education, and transportation. The need is there, the resources are there, the administrative structures are there to allow rapid implementation of these programs. What it takes now is the bold and active leadership of the President and the Congress.

Full Employment

The immediacy of this program cannot and must not allow us to retract from our commitment to full employment. The development of a stimulus program as we have suggested will not insure we will reach and sustain a state of full employment. It will provide us with some new and creative approaches to employment. It will begin to develop the types of structures we need to insure those segments of society that have traditionally been difficult to find employment for—minorities, women, youth, older individuals—will have meaningful and productive work. But this type of program will not confront the deeply rooted structural problems within our society that have too often ignored the special employment problems of these individuals and done little on a long term basis to develop the institutions, policies, and programs that will allow us to maintain full employment levels.

The concept of full employment embodies much more than the availability of jobs. It means achieving a state where there are useful and rewarding employment opportunities for all adult and young Americans willing and able to

work. Reaching full employment means not only matching the talents and liabilities of individuals with specific areas of work but also developing employment possibilities consistent with national needs and priorities. The concept of a full economy must be firmly rooted in the pattern of distribution of goods and services consistent with our domestic and international needs.

Further, full employment is an efficient and most effective way to achieve more equitable income redistribution. Expansion of the available job market to reach full employment brings into the labor force those men and women who currently struggle by on welfare and food stamps, on social security and SSI and on unemployment compensation. It substantially raises the income levels of the working poor whose economic status is almost as precarious as those who are without work. Full employment is of particular value to blacks, to women, to Hispanics, to youth and to older citizens—those groups within society who are the least equipped and the least marketable on the open labor market.

And finally, full employment is greater insurance that we will achieve equal opportunity and equal treatment in employment. Both individuals and business feel much less threatened by laws and regulations calling for affirmative action when their incomes, their salaries and their positions are not jeopardized through compliance with the law.

We do not have a policy of full employment yet. The 1946 Employment Act established the goal of full employment but did nothing to create the policies, programs or climate that would allow us to obtain full employment.

The Hawkins-Humphrey Full Employment Act, provides us with a vehicle that could establish the goals and programs for full employment within a strong legislative framework: specific economic goals and timetables to be prepared by both the President and the Congress; closer coordination between the Executive and Congress in setting spending and tax levels consistent with full employment goals; full employment for useful jobs as the primary goal of fiscal and monetary policy; planned economic development rather than crisis oriented policies; development of the maximum number of private sector jobs, coupled with a commitment to provide public service employment that supplements those developed by private industry; key consideration and resourse allocation being directed at those segments of society in greatest need; and the development of meaningful and productive job possibilities that provide opportunities and production levels that promote greater equity. Provisions in the original version of the Hawkins-Humphrey bill would have alleviated the problem of uneven distribution in employment opportunities for minorities, women and youth. In short, the bill would have offered an opportunity to focus economic policy on employment and to build into our economic system the very policies and programs that would have assured meaningful and productive work for all able and willing individuals.

ADA believes that full employment is the single most important national goal. I especially applaud the chairman of this subcommittee for his distinguished leadership in this field. But we must be careful that in our efforts to achieve legislation we do not accept a weakened version of the Hawkins-Humphrey bill. We must have legislation that will ensure that all individuals, able and willing to work are guaranteed a meaningful job at fair rates of compensation. We must be sure that the full employment bill will ensure productive jobs, that ensure adequate wage rates, that ensure close coordination between the President and the Congress, that ensure that those groups within society who have suffered the most from our past employment policies will now have a chance to recoup, and to ensure that we will not allow the old unemployment-inflation trade off game to dominate our economic policies and programs.

Youth Unemployment

I would like to add a short note on a problem of particular concern to both ADA and to the nation—youth unemployment. Even in the best of economic times the employment potential of all young people is disproportionate to that of the adult population—and clearly it is even worse for minority and poor youth. One out of four job losses associated with the recession was incurred by a young person although teenagers were only 9 percent of the total labor force. Nearly one out of every 5 teenagers in the labor market today does not have a job; the rate for black teenagers is twice that much. Even with sustained high economic growth, it is estimated that teenagers, who account for ten percent of the labor force—would only gain one out of every six additional jobs created. Although there is an immediate need for increasing the number of jobs available to youth,

we must also confront the structural problems that continue to put at an incredible disadvantage young people seeking work.

In 1969, when the national unemployment rate was 3.5 percent, the rate of youth unemployment (16–21) was over 12 percent. If we are going to reduce the overall youth unemployment rate much below 12 or 13 percent, as well as the unemployment rate for minority youth, we need policies and programs that address the particular employment problems faced by youth. There are currently several programs that deal with youth unemployment problems: summer jobs under CETA, the Youth Conservation Corps, the Jobs Corps and various high school Work-Study programs. Although these programs have had certain beneficial impacts, they continue to suffer from lack of appropriations, lack of specific training focus, under staffing and other problems.

The economic stimulus package now being considered by Congress calls for additional outlays of $600 million for youth employment programs. According to the National Council on Employment Policy, we need outlays of $2 billion in order to reach the 400,000 to 425,000 chronically unemployed youth.

As we begin to develop full employment policies, we must focus special attention on the problems of all youth, and particularly on minority youth. Any youth employment program should seek to combine both social utility and income earning opportunities. We must allow youth the same consideration we provide adults in presenting them with employment opportunities that are more than basic income transfer programs. Youth employment programs must involve substantial training and education in order to equip these individuals not only with marketable skills, but with skills that are going to provide them with productive and meaningful opportunities.

Because we no longer can tolerate the high levels of unemployment recently experienced and the damaging economic, social and human ramifications resulting from this, we support an immediate program that concentrates on the creation of substantial numbers of jobs directed at filling the huge gaps in the human needs areas of health, public-services, housing, energy, education, environmental conservation and others. Such a program will confront the short term problems of high unemployment. It is, however, only the beginning. The development of a full employment policy must be aggressively pursued. It must contain two components—one that is geared to changes in the business cycle, expanding substantially and rapidly when unemployment rises above specified levels and contracting when the country returns to a level of full employment. A second component, however, must build a constant structure into the government to assist the seriously disadvantaged within the labor force, regardless of cyclical changes in the economy. The programs and policies needed to achieve a state of full employment are within the economic and human resources of the country. It needs only the will and leadership of the President and Congress.

STATEMENT OF LEON SHULL, NATIONAL DIRECTOR, AMERICANS FOR DEMOCRATIC ACTION

Mr. SHULL. Thank you, Mr. Hawkins. I am happy to have this opportunity to testify.

I want to take the opportunity to introduce my colleague, Vicky Otkin, who has helped a great deal with the preparation of the testimony.

The dimensions of the unemployment crisis are obvious enough, the size of it is large enough to be kind of a national tragedy.

The latest figures that have come out have been 7.3 percent and we know that this drop in the unemployment rate is not due to any great upsurge in employment possibilities but roughly because 500,000 individuals left the active labor force because of discouragement or recent weather problems. At least another 1 million discouraged workers have left the labor force in the frustrating belief that jobs are unavailable.

It is not unduly pessimistic to say that the real unemployment rate today is 10 percent and with the unemployment rate that great it

is clear that heroic measures are largely needed if we are going to do anything about it.

Past experience demonstrates, whether we like it or not, that the private sector cannot completely absorb a large number of individuals who should and can be working, and often the public sector is not willing to undertake the risk and expenditures in the production of some vitally important goods and services. But further than that, we believe that there are some very basic public services—health care, day care, education—that basically should be provided through the public sector, and here the Government must assume an active role in the design and administration of programs that will allow individuals to have meaningful and productive work for themselves and for the Nation.

We believe it is within the resources and capabilities of the Nation to drastically reduce the unemployment rate over the next 2 years. Unemployment or full employment obviously is not a partisan matter, but I do not think it is amiss to remember that President Carter and the Democratic Party Platform, which now is the majority party and has been, of course, in Congress, both promised the achievement of a 3 percent unemployment level within 4 years.

We do not say that the task is easy; we say it can be done, and we think that a promise was made to the Nation and the Nation has a right for it to be fulfilled. It will require aggressive leadership in both the White House and Congress. It will, in fact, involve the undertaking of certain risks by both public and private industry and it demands the initiation of well thought out programs.

Let us not deny too quickly certain achievements that made the New Deal and the Great Society. We are still surrounded by many of the positive results of these programs and their basic concepts—meaningful work, useful products for the Nation, lessening the disparities in employment opportunities, income, service available, education among all income groups, races, sexes, ages are ones that can be used as yardsticks now to develop policies and programs for the future.

I have often thought, Mr. Chairman, that part of the problem is not only to know what to do, but to have the will to do it, and it is often customary now to disparage some of the great things that were done in the past.

I am old enough to remember the New Deal and I am aware enough to remember that in a period of 2 months, the New Deal—faced with a huge unemployment problem—was able to place in jobs some 4 million people. I do not doubt for one moment that there was some waste in what happened during that period, but this country still has the benefits of the work that was done then, because a great deal of it, a great bulk of it, has been amply documented and I know is in the Congressional Record, and this fully demonstrated that these were often useful jobs, mostly useful jobs, and made a real contribution to the country in addition to giving people the opportunity to do useful work and the restoration of their self-respect.

Given that the expansion of the job market to achieve a state of full employment must be our primary economical goal over the next years, the discussion of tax cuts and tax reductions to create jobs is inexcusable. The rationale for tax cuts as a job creating measure break down for the following reasons:

Tax cuts are a most expensive method for job creation. A Congressional Budget Office study found that the net cost per job after one year through tax cuts was $17,000 to $21,000. The comparable net cost for public service jobs was $2,600 to $3,500.

The direct benefits of tax cuts do not necessarily go to the geographic areas and groups in the country the hardest hit by continued high rates of unemployment. With the benefit of tax cuts spread widely across the Nation, it is the very prosperous industries and individuals that benefit as much as the least prosperous.

Twenty-five percent of our adult population have incomes so low they pay no taxes. As most tax reduction proposals, in particular those currently being discussed, would only go to those individuals paying taxes. The other 35 million people would only indirectly benefit from any tax reduction proposals. And these individuals who would receive no immediate result from a tax cut are the very people who would most quickly spend an increase in income on basic necessities.

But not only is the suggestion of using tax policy as a method of stimulating job creation ineffective. It also signals the renunciation of some of the vital social programs we have been crying for over the past years—welfare reform, national health insurance, day care, housing and many others. Immediate temporary tax cuts and any further permanent reductions in both individual and corporate taxes increases both the process and the difficulty in beginning the structural reform that is necessary to meet the Nation's social objective of putting people back to work, raising the quality of basic public services and realizing our full production potentials.

I listened before to Professor Eisner talk about what I think is the most interesting of the tax cut proposals. In fairness, I have to say that it is the only one that I have seen or heard that goes directly to the problem of creating jobs.

I would still submit to this committee, although I know it is not within your direct jurisdiction, that the best way of creating jobs is to create them directly through public expenditure programs and public service areas.

We have a tax system now that is groaning over $100 billion of tax expenditures, and every time that we hear that a social good is to be achieved by another expenditure, I just think, that poor system must be groaning and crying as another effort is made to tear it apart.

I have consulted, by the way, some of the tax experts in this country and asked them what they thought about the system, and one—this new proposal, the tax credits to create jobs directly—one thing they say immediately is there is no experience in this country to indicate how it would work and second, would it not be cheaper and more direct to create public service employment if we really want to find the least expensive and the quickest way to do it.

I am going to skip the part of my statement that dealt with CETA because I know you have had a good deal of testimony on that today, and I want to go only to one special part in our testimony that deals with the question of youth unemployment, which starts on page 9 of my testimony, and I would like to read this into the record, because I think not enough attention has been paid in our country to this serious problem.

Even in the best of economic times the employment potential of all young people is disproportionate to that of the adult population—and clearly it is even worse for minority and poor youth. One out of four job losses associated with the recession was incurred by a young person, although teenagers were only 9 percent of the total labor force.

Nearly one out of every five teenagers in the labor market today does not have a job; the rate for black teenagers is twice that much. Even with sustained high economic growth, it is estimated that teenagers, who account for 10 percent of the labor force, would only gain one out of every six additional jobs created. Although there is an immediate need for increasing the number of jobs available to youth, we must also confront the structural problems that continue to put at an incredible disadvantage young people seeking to work.

In 1969, when the national unemployment rate was 3.5 percent, the rate of youth unemployment—16 to 21—was over 12 percent. If we are going to reduce the overall youth unemployment rate much below 12 to 13 percent, as well as the unemployment rate for minority youth, we need policies and programs that address the particular employment problems faced by youth.

There are currently several programs that deal with youth unemployment problems: Summer jobs under CETA, the Youth Conservation Corps, the Jobs Corps, and various high school work-study programs. Although these programs have had certain beneficial impacts, they continue to suffer from lack of appropriations, lack of specific training focus, understaffing, and other problems.

The economic stimulus package now being considered by Congress calls for additional outlays of $600 million for youth employment programs. According to the National Council on Employment Policy, we need outlays of $2 billion in order to reach the 400,000 to 425,000 chronically unemployed youth.

As we begin to develop full employment policies, we must focus special attention on the problems of all youth, and particularly on minority youth. Any youth employment program should seek to combine both social utility and income earning opportunities. We must allow youth the same consideration we provide adults in presenting them with employment opportunities that are more than basic income transfer programs.

Youth employment programs must involve substantial training and education in order to equip these individuals not only with marketable skills, but with skills that are going to provide them with productive and meaningful opportunities.

Because we no longer can tolerate the high levels of unemployment recently experienced and the damaging economic, social, and human ramifications resulting from this, we support an immediate program that concentrates on the creation of substantial numbers of jobs directed at filling the huge gaps in the human needs areas of health, public services, housing, energy, education, environmental conservation, and others.

Such a program will confront the short-term problems of high unemployment. It is, however, only the beginning.

The development of a full employment policy must be aggressively pursued. It must contain two components—one that is geared to changes in the business cycle, expanding substantially and rapidly

when unemployment rises above specified levels and contracting when the country returns to a level of full employment.

A second component, however, must build a constant structure into the Government to assist the seriously disadvantaged within the labor force, regardless of cyclical changes in the economy. The programs and policies needed to achieve a state of full employment are within the economic and human resources of the country. It needs only the will and leadership of the President and Congress.

May I just conclude, Mr. Chairman, by saying that the present crisis—I think that is a fair term of what we are in—will not divert the attention of Congress from passage of legislation such as the Hawkins-Humphrey bill. I want to take this opportunity to say that I believe the country owes a debt to the chairman of this subcommittee for his leadership in trying to develop legislation that could finally lead this country into the kind of a program where we could have full employment and not have, in the future, the conditions where 10 percent of our work force is unemployed, 40 percent of our black youth unemployed, 13 to 15 percent of our women are unemployed.

We are never going to able to deal, Mr. Chairman, with that kind of a program until we achieve legislation such as the Hawkins-Humphrey bill, such as you introduced.

Thank you.

Mr. HAWKINS. Thank you, Mr. Shull. Thank you for your very kind remarks.

Perhaps I should not ask any questions now. Do you agree, however, that to deal with the problem on a limited or disjointed basis in terms of a youth unemployment approach or the veterans preference approach or dealing with the elderly and other segments of the population cannot effectively succeed unless we approach it from a full employment concept and that to deal with it otherwise is to perhaps to create problems along with some of the solutions?

Mr. SHULL. Yes, sir, I do agree with that, sir. I think we should, and I hope Congress will move as quickly as possible to the consideration—you are at that point already, I hope—consideration of final passage of the Humphrey-Hawkins bill.

We are in sort of a practical situation, I suppose, where we face high unemployment now. The administration has introduced what I believe is an inadequate program for economic stimulus of job creation. The House Budget Committee has somewhat improved on that in the markup of the third budget resolution, but I think that while we should be dealing with the total program, and I believe what you said is essentially correct. I think that we cannot totally wait for that before we deal with specific job programs that are targeted.

I have tried to make it clear that I thought the two should move forward together. In fact, some of these targeted programs, it seems to me, are fully in line with the objectives of the Humphrey-Hawkins bill.

Mr. HAWKINS. I certainly agree with that approach and it is the desire of the chairman of the committee to move the specific bills as fast as possible. We are not holding up anything, waiting on the adoption of what I consider to be a more comprehensive and much better solution.

We have been given piecemeal approaches in the manner in which the bill has been presented, and certainly we are going to act, I hope with dispatch, on those. However, I hope that we can relate even those piecemeal approaches, piecemeal bills dealing with the economy, somehow to the long-rang objectives.

I think you have done that very well in your presentation this morning.

Mr. Sarasin.

Mr. SARASIN. Thank you, Mr. Chairman.

Mr. Shull, I, too, would like to thank you for your testimony this morning. Let me just ask whether you see any problem in turning off some of these programs if they were enacted in the manner in which you would like to see them enacted?

Mr. SHULL. No, sir, I do not think so. I believe, for example, that you could put a targeting component into some of this legislation, and to assume if unemployment fell to a certain level the program could be reduced or cut off completely—I would hope that if there were a target it would be at a fairly low level, consonant with what we think should be our national objectives.

Mr. SARASIN. If you terminated the program, would that not increase the level of unemployment?

Mr. SHULL. I guess what I was assuming was that there would be enough economic stimulus to allow these programs to get the private sector moving faster than it is now. The latest figures I received from the Congressional Budget Office in their excellent study called "The Disappointing Recovery" of January 11, 1977, indicates that the recovery at this point is only about 3.5 percent, which is less than half of previous times of recovery.

One would hope that the economic stimulus of job creating programs would also result in the private economy growing fast enought to take up some of the slack.

I might say, sir, I would be less than candid with you if I did not say that I did not feel as a nation we are starving the public sector, and the public sector ought to be increased in any case. However, following Professor Eisner's strictures, I guess I am talking here about the economic stimulus and hoping that if we had job creating programs it would work in areas that would give useful work.

Mr. SARASIN. Thank you, sir. I have no further questions.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Sarasin.

Mr. Myers.

Mr. MYERS. I have no questions, Mr. Chairman.

Mr. HAWKINS. Mr. LeFante.

Mr. LEFANTE. No questions, Mr. Hawkins.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. No questions.

Mr. HAWKINS. Thank you, Mr. Shull. As usual, you have done an excellent job. I regret that we do not have more time to spend with you, but I know that you are constantly available to us, and we will be calling on you from time to time.

Mr. SHULL. Thank you, Mr. Chairman.

Mr. HAWKINS. Our next witnesses consist of Malcolm Lovell, president, Rubber Manufacturers, Washington, D.C. and Mr. Richard F.

Schubert, vice president for public affairs, Bethlehem Steel Corp., Bethlehem, Pa.

Mr. Lovell and Mr. Schubert, we welcome you. Mr. Lovell, you are certainly no stranger to us. We have had a long association with you. I simply extend a welcome to both of you and express our appreciation for the manner in which you have always responded to our requests. We are certainly looking forward to the testimony you are going to present to the committee this morning.

Without objection, your prepared statement will be made a part of the record at this point.

[The prepared statement of Messrs. Lovell and Schubert follows:]

PREPARED STATEMENT OF MALCOLM R. LOVELL, JR., RUBBER MANUFACTURERS ASSOCIATION, AND RICHARD F. SCHUBERT, BETHLEHEM STEEL CORPORATION

AN APPROACH TO REDUCING AND AMELIORATING THE EFFECTS OF UNEMPLOYMENT

1. General considerations

National macro-economic policy should attempt to maximize employment by stimulating economic growth consistent with other national goals such as minimizing inflation, preserving energy, protecting the environment, increasing foreign trade, etc.

A major emphasis in combatting unemployment should be on creating more jobs in the private sector. For most of the period since 1946, national policy has favored the stimulation of consumption, a luxury which the energy crisis will make counterproductive. National policy must, more and more, favor increased investment and capital formation—the productive core of our economy. To do this will require a combination of individual and business tax incentives so that our industry may remain competitive in the world economy.

The fixed investment required to provide a job in private industry is estimated at from $35,000 to $100,000, depending on the industry. As the increase in the labor force is about 1,500,000 per year, a new investment of at least $525 billion is required during the next ten years just to provide for this increase. Prior tax policy is critical to capital (job) formation of this magnitude. Required modifications include providing for more rapid recovery of capital expenditures, reduction in the double taxation of dividends, and promoting savings and investment by lower- and middle-income families.

This paper, however, will not attempt to deal with monetary or fiscal policy, but instead with the efforts which can take place to reduce and ameliorate the effects of unemployment which occurs at any particular period of time. The recommended policies described below are basically temporary in nature and geared both to cushioning the effects of unemployment and to expedite re-entry into the work force.

Manpower or labor market policies should be developed to work in conjunction with macro-economic policies so that the unemployment situation at any particular period of time can be dealt with sensitively and humanely without jeopardizing the long term potential economic growth of the nation. The nature of the manpower and labor market policies and the mix of programs to be recommended should vary with the unemployment level at that time and the mix of the individuals seeking work.

It should be recognized that total employment has been increasing at an impressive rate, but not rapidly enough to absorb the accelerated increase in the labor force. Total employment increased from 72,900,000 in 1966 to 87,980,000 in 1976. However, during this period population increased 19 percent and the labor force increased 26 percent. One of the principal reasons for the large increase in labor force is that the female labor force increased by 42 percent, while the male labor force increased by 17 percent. In addition, youth in the labor force increased by 34 percent from 6,557,000 to 8,839,000.

The other side of the coin is that the demographic characteristics of the population are such that by 1980 we may anticipate a sharp reduction in the rate of new accessions to the labor force, creating the strong possibility of shortages in the entrance categories. This fact further accentuates the need to deal with unemployment on a year by year basis with efforts targeted toward resolving the unemployment problems of specific groups.

II. Categories of the unemployed

Unemployment of course can be viewed from a veriety of demographic and economic standpoints but for simplicity we will break them down into the following categories:

(*a.*) Cyclical unemployment among those who have established a permanent attachment to the labor force. Unemployment of this nature generally would not exceed 15 weeks. It is expected that most workers will return to their former employers. In recent years 50 percent of the unemployed returned to work in four weeks and an additional 25 percent returned in 15 weeks.

(*b.*) Structural unemployment among individuals with labor force attachment. Such unemployment results from shifts of an industry from one area to another, from basic technological change in which unemployment needs are permanently reduced or by changes in the skill mix within an industry. Individuals in this group may have exhausted unemployment benefits or may expect to be unemployed in excess of six months. Unemployed heads of households on welfare who have the capacity of becoming competitive in the labor market deserve special consideration in this group. (Providing incentives and work opportunities for the welfare population is of such complexity that it will not be treated in this brief paper.)

(*c.*) Unemployment among new entrants or re-entrants into the labor force. The most important groups in this category are youth of both sexes and adult women. From 1955 to 1973 the unemployment rate for white teenagers was 12.9 percent. The corresponding rate for non-white teenagers was 28 percent. From 1965 to 1970 white teenagers comprised 7.4 percent of the labor force but 23 percent of the unemployed. During the same period non-white teenagers comprising 1 percent of the labor force and 6.9 percent of the unemployed had an unemployment rate of 25.4 percent.

From 1962 to 1975, 60–70 percent of teenage unemployment was accounted for by entrance and re-entrance into the labor force. Adult women (20 and over) make up about 36 percent of the labor force, but from November 1973 (peak) to April 1975 (trough) they accounted for 66 percent of the growth of the labor force. For the period 1970–1974 the unemployment rate of white women 20 and over was 4.8 percent as compared with a comparative rate for white men of 3.4 percent. The corresponding figures for non-white people 20 and over are 8.2 percent for women and 6.4 percent for men.

The high unemployment rate of youth in recent years is clearly unacceptable, although labor market experimentation, which is typical of this group, is desirable. Prolonged experimentation is frustrating to the new entrant and is counterproductive to the efficient functioning of the labor market.

The problem of developing a national policy to aid this group is compounded by complexities . . . First of all, discrimination against black youth continues to be alleged—and challenging entry level jobs paying tempting wages are in short supply . . . criminal activities provide stiff competition to the more mundane, lower paying jobs at the lower steps of the employment ladder . . . life style of many youths is such that they do not need to hold a steady job (particularly a low paying and/or boring one) as an economic necessity . . . because of the job shifting characteristics and lack of experience of this group employers are reticent to hire them in higher paying jobs for which they might otherwise qualify . . . lack of skill or even basic reading and writing ability makes some candidates ineligible in the judgment of many employers for minimum wage positions.

The percent of teenagers unemployed is high, but the total number unemployed (approximately 1,800,000) does not appear unmanageable, particularly since half of them are students.

Plans to deal with various types of unemployment should be developed in advance so that they may be activated promptly in time of need.

In the development of these plans it is necessary to recognize broad groups of unemployed people, as different categories of unemployed will require a different mix of program elements. The unemployed are not a homogeneous group and because of these differences there is no one answer to the unemployment problem. Principles or guidelines can be established for dealing with the problems of the respective groups.

III. Suggested program approaches

The following generalizations and courses of action are believed to have value in dealing with each category of the unemployed:

1. Cyclical unemployment. Income transfer programs are generally the most appropriate vehicle for providing assistance to individuals in this category, i.e.,

unemployment insurance. . . . Care must be exercised that extended benefits and level of benefits do not constitute a disincentive to seeking regular employment. Unemployment insurance can act to prolong unemployment where its financial benefits added to the value of discretionary time is viewed by the individual as being preferable to accepting regular employment. A work test or mandatory training requirement might be utilized for this purpose after six to nine months. The response to an offer of a temporary public service job will determine the seriousness of an unemployed person's interest in employment. In a similar fashion a requirement that a substantive training program be a condition to continued receipt of unemployment insurance would test the legitimacy of an individual remaining on the unemployment insurance rolls.

2. Structural unemployment among individuals with labor force attachment. Public service or subsidized private sector jobs of a transitional nature are an appropriate option for this group after unemployment has exceeded six to nine months. Such programs should be developed around the following concepts:

(*a*) Subsidized jobs in the private and public sector should not be regarded as a permanent solution to an individual's employment problem.

(*b*) A job should not only provide income but to the extend possible work experience which can be transferred to qualify an individual for non-subsidized employment.

(*c*) Wages should have relevance to the work performed but not exceed some maximum, e.g., $8,000 a year. No individual should be permitted to remain on a subsidized job longer than a fixed period, e.g., one year, to avoid substitution of subsidized jobs for regularly scheduled jobs in the private or public sector.

(*d*) Program design should recognize that some long term unemployed will, at some point, be employable again in their old occupations in their current labor market area while others may have to change occupations, move to another labor market area, or both. Relocate and/or job search assistance may be required. Consideration should be given providing manpower services for individuals in this group comparable to those provided under the Trade Adjustment Assistance Act.

(*e*) Although there is a legitimate short term role for public service or public works employment, there are many well recognized difficulties in such employment which should be kept in mind as these efforts are developed. Government job programs tend to come into play too late unless some sort of "trigger" mechanism on a SMSA basis is employed; the costs per worker are high; the programs are rarely highly productive; public service job programs tend to result in federal support of state and local governments rather than creating new jobs; and programs which are designed as temporary tend to become a permanent cost to government and society.

3. Unemployment among entrants and re-entrants into the labor force.

A. *Youth.*—The following actions should be taken to reduce unemployment in this category.

(*a*) Ways need to be found to incorporate teenagers into the work structure. Vocational Education programs should be expanded and more effective counselling provided to help youth enter more appropriate work and training situations. Better administration of school to work efforts need encouragement including better job definitions and the development of job market cooperation mechanisms.

(*b*) Experiments should be attempted with job programs paying less than minimum wage to youth where work has low economic value to determine if such efforts have a positive job creating effect.

(*c*) Training programs should include basic education and workworld orientation as well as vocational components.

(*d*) A departure from the career military service concept might be considered in order to offer short term military experience which might provide a valuable transitional step for many youths into the full time world of work.

(*e*) Individual youths should be encouraged to participate in a variety of training experiences irrespective of immediate job availability to test interest and aptitude.

(*f*) Work experience or vocational training should be made available to any youths, 16–19, who have unsuccessfully sought work for over 10 weeks and who are from a low income family. Work and training assignments should be provided for a one year period and consist of socially desirable

projects of need to the communities undertaking them. At a minimum we should test the validity and cost of this concept with a pilot program in 15 or 20 cities.

(*g.*) Increased use of residential programs such as job corps (particularly those operated in cooperation with apprentice programs) should be encouraged.

(*h.*) Immigration laws should be reviewed. The wisdom of allowing 300,000 people a year into the country during periods of excessively high unemployment needs to be evaluated. It is also estimated that we have some 6,000,000 illegal aliens in the country, many of whom are holding down jobs.

B. *Unemployment among women.*—Whether it be cyclical or structural, whether it be among new entrants or re-entrants, should be treated in the same fashion as the equivalent unemployment among men. We should continue, however, with ever greater vigor our national commitment to end discrimination because of race, religion, color or sex. Minorities and women suffer disproportionately from unemployment and the effectiveness of our efforts to end discrimination should be maximized. Experiment in work sharing and the development of parttime jobs should be accelerated to evaluate the productivity of these efforts, e.g., do these encourage moonlighting and entice people into the labor force or do they provide a satisfactory work vehicle for people now classified as unemployed?

IV. Priorities

In the judgment of the business community there are two immediate critical problems. First, the unemployment problem among youth, particularly from low income, inner-city and minority families, is by far the most socially damaging and in need of immediate attention.

A dramatic approach which would demonstrate a high level of national concern regarding the excessively high unemployment rate of this group would be to offer every youth between 16 and 19, of low income families who have registered for work with the employment service and have been unsuccessful in their search for ten weeks or more, a public service job at minimum wage and/or training for a 12-month period. The nature of this activity could include, for a limited number of individuals, job corps experience and for other useful projects which would not otherwise be performed.

Secondly, the problem of long term unemployment among heads of households with labor force attachment represents the greatest economic suffering and needs to be dealt with in a sensitive fashion.

Programs to deal with unemployment of this nature would include for those who had been out of work between 6 and 9 months public service jobs of a transitional nature, mobility allowance including opportunities for retraining and special manpower services such as counselling on job availability in other areas. Consideration should be given to providing a type of manpower services to this group similar to those provided for individuals under the Trade Adjustment Assistance Act.

It should be kept in mind that the programs recommended in this paper can be expanded and contracted over time as the unemployment rate among these groups fluctuates. The program framework should not be considered a temporary effort, however, but should be maintained in place at various levels on a more permanent basis.

The sums to be allocated for the approaches recommended above should be increased over those currently budgeted, perhaps by as much as 3 billion dollars in fiscal 1978.

STATEMENT OF MALCOLM R. LOVELL, PRESIDENT, RUBBER MANUFACTURERS, WASHINGTON, D.C., AND RICHARD F. SCHUBERT, VICE PRESIDENT, PUBLIC AFFAIRS, BETHLEHEM STEEL CORP., BETHLEHEM, PA.

Mr. LOVELL. Thank you very much, Mr. Chairman. We certainly have always appreciated the courtesy and interest which you have given us in our various capacities in which we have appeared before you.

I think that we can summarize the basic philosophies that we are trying to recommend.

First, of all, we are not trying to deal today with broad macroeconomic policy, or monetary and fiscal policy. We leave that up to perhaps wiser heads, those that are more educated in the economic profession. We are here today to talk about the nature of the unemployed, and the approaches that we think the committee should consider now and over time in dealing with those who have fallen through the cracks, so to speak, of the employment ladder and are suffering during periods of unemployment.

In other words, to take a look at those who are unemployed and see what we, as a society, can do for those individuals to reduce the severity of the unemployment period.

Certainly the macroeconomic policy that government should follow should maximize employment opportunities consistent with other goals of reducing inflation and so forth, and we believe that the President's recommendations in terms of his economic policies are fairly sensible.

Again, we are not economists so we will not deal specifically with that.

The manpower tools available to us, and those we have been using over the last decade, really have proved more fruitful, I think, than many of us have realized. Sar Levitan and Bob Taggert have written a book on it, "The Promise of Greatness," and perhaps have renewed faith in some of the techniques we have used.

It is quite interesting, when you recognize that over the last decade poverty has been reduced by about 50 percent. Really, that is quite a major achievement, one of which I think we should be quite proud, not to reduce our efforts—indeed, we should increase them. But to say that the system that we have, the approaches that we have taken to reducing unemployment and ameliorating the effects of it are not effective is just not so.

It would be a shame indeed to scrap the growth and capacity of a society to provide jobs at this point by throwing away the tools that we know something about and are learning more about every day and adopting policies which have been less consistent with the democratic and free principles of this Nation.

Now actually, as I think all of you know, over the last decade, total employment has been increasing at an impressive rate. The problem is that it has not been increasing rapidly enough to absorb an even more rapidly increasing labor force.

For example, from 1966 to 1976, total employment increased 20.6 percent. The population as a whole increased 19 percent. The labor force increased 26 percent.

That labor force increase, by and large, was because of the female labor force increase, 42 percent and the youth in the labor force increasing by 34 percent. Of course, as you know, the youth increase was because of the baby boom following World War II, and the increase in the female labor force was because of the changing nature of the role of women in our society and the increased desire and need for women to participate in the world of work.

So we have dealt somewhat successfully in this decade, with this tremendous increase, both in youth and women, by achieving a posi-

tive increase in the number of jobs. As I say, however, a 20-percent increase in employment with an increase in the labor force of 26 percent, has caused us to fall behind.

The question we think is terribly important today is: How do you deal with the problem now that we have fallen behind until some of the demographic characteristics of the population fall into a more natural and more accustomed role? Women in the labor force will continue to increase but youth will proportionately be less of a problem.

How do we do that?

We would like to talk about some generalizations and some principles here and we can get more specific, if you like.

Looking at the nature of the people who are unemployed one can identify three general classes—the first is cyclical unemployment, people out of work for, say, 15 weeks or less who, in all probability will go back to their old jobs or move to other jobs very quickly. By and large, unemployment insurance, transfer payments, are adequate to take care of people in this category. They represent, of course, a fairly substantial number.

Secondly, you have your structural unemployment, people with labor force attachment who, for one reason or another, have been out of work say between 15 and 24 weeks, and these people, sometimes are covered by unemployment insurance, sometimes they are not, but they represent a more serious category in terms of the nature of suffering. In all probability many of these individuals are living in areas where, for one reason or another, jobs are moving out because of the changes in the industry in which they have been employed.

Certainly a variety of efforts are needed, including certain public service jobs to help them train, to help them readjust themselves, their own skills, and their own aspirations in terms of the labor market, and to perhaps take time to think whether they want to move to other locations where jobs are more plentiful. Public service jobs of a transitional nature are in order. There are some caveats, of course, and I would like to review some of those briefly, at all public service jobs.

One is that the purpose of public service jobs of a manpower nature is to increase job opportunities and very often, if wages are too high or the restrictions are too loose, it does not do that. You have substitution. People leave one job which pays less, which is more onerous, and move on to the public service job so that you really are substituting one kind of a job for another and the total number of unemployed remain the same.

If the wages are too high, it pulls people into the labor market that would not normally be in the labor market. It attracts them into the labor market.

Public policy should not be to attract huge numbers into the labor market with which we have no immediate need, or with which we are not prepared to deal.

The third category is, in our judgment—and I might say, parenthetically that Dick Schubert and I are here speaking primarily for ourselves, but we also work with other industry and business leaders all over the Nation and certainly express their concern, and I think to a very real extent, express their desire to explore in an imaginative fashion, ways of dealing with these problems in a realistic way.

So we speak for ourselves, but we speak for the concern of the business community in general, although only we should be held responsible for what we say.

The third category is youth, and as many people who have testified today—and I am sure you know, this probably constitutes the most serious problem, the most serious unemployment problem that we have, and again, as it has been mentioned, unemployment in the large urban areas, particularly among minorities, is social dynamite. Even if it were not, it constitutes such a terrible waste of national resources that it cannot wait, Mr. Chairman, for grander ideas that you might have in this regard for solution, even though we might not agree with those grander ideas, but we do think that this is a very serious problem.

You cannot look solely at the numbers, however, because, to some degree, a certain amount of movement from job to job is desirable. That is the way youth identifies occupations, the way they get their aspirations and ability somewhat in line.

"From School to Work," a report of the National Manpower Commission, states parenthetically that one of the best things than can happen to a youth in terms of improving employment opportunities, is to get older, and as that takes place, they find that not only is the unemployment rate lower, but they do find jobs, and better jobs, more quickly.

But to say that does not in any way reduce the seriousness or importance of the high unemployment rates, among minorities, particularly in the large urban areas, which does run up to 40 percent. There is no excuse for that, no rationale, no defense for that, and I think that low-income youth unemployment should probably be the primary target of our efforts.

What do you do? What are the kinds of things that would work best?

To what extent should the private sector play a part?

We have had some confusion, I think, in terms of what the private sector should do. Let me make some comments in that regard.

A subsidized job in the private sector where the Government pays part of the money, probably will not increase the number of people employed. It will help direct the private employer to the individuals that society would like them to pay attention to, so that the NAB program which was started during President Johnson's administration was very successful in getting minorities into jobs, but this effort was not creating new jobs—a substitution. People who normally would be employed in those jobs in essence had to wait 2 or 3 weeks for the jobs that they eventually moved into because of the substitution effort.

It did not change the unemployment rate. Indeed, most of that program took place during times of fairly high employment. But it did give minorities distinct opportunities. The same thing is true for veterans, and also for other categories of the disadvantaged.

If you want to give disabled people, if you want to give minority youth, if you want to give the veterans a special opportunity, people who are not so qualified as others, then to compensate the private sector for that additional training and loss of productivity made sense. It does not create jobs, new jobs.

What we want to do with youth, of course, particularly these minority youth that we are talking about, is to give them the kind

of experience and training and hopefully the community of which they are a part will give them the motivation to become qualified to compete in the broad sector of our economy so at least the rate of unemployment will be no greater than that of other segments of society.

I think that with this kind of concern, certain kinds of public employment—heavily spiced with both vocational training and basic education—would be warranted and the extent to which we do it, I suppose really—because we are dealing with a fairly small number of people, in actual numbers, the actual numbers are not that huge.

I personally could support an effort that would say that any youth, any teenager from a disadvantaged family who has sought work unsuccessfully for a period of 10 to 15 weeks should be able to have a job for at least a year on the public rolls to give him a leg up and some additional training, using the CETA mechanism to have it take place.

With women, I feel that unemployed women should be dealt with as an unemployed man; we must, however, be sure that our laws in terms of nondiscrimination are maintained and the progress that we have made, which has been considerable over the last decade, be continued, at least at that pace, if not at a more accelerated pace.

These barriers are breaking down, but they still exist, so obviously we need to consider that.

The role of women in the work force is somewhat different from men because some women do not choose to pursue work in the same way that men do. Many chose to take out from 9 months to 10 years to raise children.

I must say that that is a very necessary role, because if that is not played, we will not have any unemployment program 100 years from now because we will not have any people. This is a very important role.

To some extent, as women more and more become regular and fully participating members of the work force, this period of time off needs to be recognized and dealt with by our work society, the private society and the public economy to make accommodation for this very necessary leave of absence, if you will, from the world of work.

Let me just stop there and give you a chance to ask any questions.

Mr. HAWKINS. Mr. Schubert, do you care to add anything?

Mr. SCHUBERT. I will participate in the dialog, Mr. Chairman.

Mr. HAWKINS. As usual, you have presented your case very well from the business point of view.

On pages 10 and 11 of your statement, there are some rather interesting points: In the second paragraph on page 10, you label a dramatic approach, which I think is a rather dramatic approach, from some of the earlier views that you expressed before the committee, of in a sense, assuring to every youth between the ages of 16 and 19 of low-income families who have registered for work, a public service job, at the minimum wage; included in that would be training.

And then in the paragraph below you indicate that heads of families should likewise be in some way assured of these jobs. It comes close to being the kind of last resort types of jobs I discussed with you in terms of the full employment bill which some individuals objected to. What you have stated here, it seems to me, is that every

unemployed person should be in some way guaranteed at least a temporary public service job until such time as another job is available.

Do I get that significance from those paragraphs?

Mr. LOVELL. Let me make two comments, Mr. Chairman.

First of all, I always reserve the right to change my mind. Second, it is not that much of a deviation.

My concern with public employment has always been that it not attract new people into the labor market, that it not substitute higher paying jobs for lower paying jobs.

This comment is limited to youth, limited to youth of low-income families who have sought work unsuccessfully and as a transitional job. That is not inconsistent with my testimony before this committee and Senator Nelson's committee for a long time that public service employment did have a role, but it should be transitional in nature, and should not really just be a method to increase the wage level, and I think that with this target group, that makes great sense.

Mr. HAWKINS. You did include heads of households.

Mr. LOVELL. That is right, heads of households.

Mr. HAWKINS. That gets beyond youth.

Mr. LOVELL. Heads of households who have been out of work.

What I am saying, I would suggest—this is a summary on this page. It reverts back to those people who have been out of work for 6 months or so who have exhausted benefits or even who have not exhausted benefits if they have been out of work for 6 months.

And I think offering a public service job, not at minimum wage, but at a level under prevailing wages for the kind of work that individual could do so there is no motivation to stay on the job, but indeed, there is motivation to get out, I think I could support—and if that is a change, so be it.

Mr. HAWKINS. It comes close to the provision in H.R. 50.

Mr. LOVELL. No, sir, it does not, because there is one very major difference.

Mr. HAWKINS. In what way does it differ?

Mr. LOVELL. I would be much happier saying how it is similar, but it differs because the individual has to be out of work for 6 months and the job is not at prevailing wages.

It is below what the prevailing wage would be.

Mr. HAWKINS. H.R. 50 is a prevailing wage. You indicated the minimum wage, which is exactly the same.

Mr. LOVELL. I would not offer a public job to anyone. I would offer a transitional job to people who have been out of work for 6 months. If that is similar, to that extent, I would support that aspect of it.

Mr. SCHUBERT. If I might make a couple of observations, and I think this is important in your deliberations with the committee.

I think that the business community generally is becoming more and more sensitive to the concept of the youth unemployment problem and the necessity for doing something. We have had extensive discussions over the last few months with business leaders. There is increasing recognition of the necessity for doing something in a dramatic fashion, as Mr. Lovell has outlined. However, I think you must add to that a continuing recognition that at the end of a program like this for an individual, a program that would provide orientation to the world of work, if he can hopefully get some skill training in a job

that is to be provided somewhere in the private sector, when you finish that, the private sector will still have to pick up that slack and afford the opportunity.

The business community is concurrently interested in stimulating the private sector through the kinds of tax programs that you now have before your committee and will be considering in your deliberations over the next few weeks.

The youth problem, in our view, is a manageable one. The numbers are manageable. We owe it to our young people to orient them to the world of work and make it possible for them to move into the private sector. We think it can be done. We believe there is sentiment in the business community that will support you and your associates in this effort.

Mr. HAWKINS. You heard the earlier testimony on the magnitude of the problem. We had the witness from Conference of Mayors, who indicated in excess of 1 million persons in this group, are in need of jobs.

Now, when you say a manageable number, how can you relate that phrase to the testimony that we have received this morning, or are you talking about a much smaller number?

Mr. LOVELL. First of all, I think that when the mayor says that there are so many people that would like to work, that is at a wage, at a job that is convenient for the times that the individual is looking for work.

Probably there is not anybody in this room that would not take another job, even though they had one, if it offered other things that you do not have in yours. I do not know what you would want, Mr. Chairman, but there might be something that would tempt you.

Mr. HAWKINS. Are you offering?

Mr. LOVELL. I could do a lot worse.

There are a lot of youth that would rather have a public service job than some of the jobs that they have, so really the number of jobs that could be filled could expand infinitely as long as the public jobs keep being improved.

Sure, as a society we want to improve our jobs, but we want to take care of those who do not have any job before we start improving the total desirability of all jobs in America.

Mr. HAWKINS. Talking about CETA-type jobs as something near the minimum wage, if not the minimum wage, I will not pursue this other than just to indicate there is a difference of opinion of the magnitude of the problem.

Mr. LOVELL. The figure on teenage youth unemployment is around 1.5 million, roughly, give or take.

Mr. HAWKINS. Let us say a hard-core figure might be much less. Let us assume that it may be more than what you tend to suggest this morning, when talking about a manageable number.

On page 11, you indicate that the sums to be allocated for the approaches you recommended, which includes the youth as well as heads of families and the other priorities you listed, should be budgeted at as much as $3 billion, in addition, I assume, to what it is currently budgeted at.

That would, in effect, price out to not over 300,000 jobs. Let us use a round figure; you are talking about 300,000 jobs for the youth, for the heads of families that you also refer to as priorities.

Is that roughly the manageable number that you are referring to, in addition to what is budgeted for now?

Mr. LOVELL. First of all, Mr. Chairman, we have tried to use these as illustrative, and we are talking of principles. Neither Dick Schubert nor I have access to the budget that we used to. What we are saying is that you have to take a look at those who are unemployed make some judgments as to which group is most adversely affected and then move forward in some way, using the skills and the knowledge that we have obtained over the last 10 years to do something constructive about it.

Obviously, there are some limits, and you can spend only so much money, constructively. This job expansion that we have had of 20 percent, with our employment increasing 20 percent over a 10-year period, if that were to stop, if the private sector did not have the growth that it has had, then your unemployment could double very easily.

You do not want to kill the goose that is laying the golden egg, so you do have to be careful in terms of your total fiscal plicy.

We are not addressing ourselves to that question. We are saying we think with the general experience that we have had that a $3 billion expenditure at this point in time in these directions would be constructive and probably would not have the adverse effect that perhaps a substantially larger amount would have.

Mr. HAWKINS. My time is up, but let me ask you this and get a rather limited answer.

With respect to the expansion of the comprehensive employment and training program, have you addressed that question?

Mr. LOVELL. No, but we would be in favor of it.

Mr. HAWKINS. An extension?

Mr. LOVELL. Yes, we worked too hard to encourage it over the years to get discouraged.

Mr. HAWKINS. Thank you.

Mr. Sarasin.

Mr. SARASIN. Thank you, Mr. Chairman.

Gentlemen, in your approach to the youth unemployment problems and with your suggestion of a solution, do you see some difficulty as far as enticing young people out of school and into this group?

Mr. LOVELL. Not out of school. The experience that we have had would suggest that a youth is not going to leave high school that is getting anything out of it, making reasonable progress, for a minimum-wage job.

As a matter of fact, there is considerable evidence—I thought you were going to address yourself as to whether a lot of these people were going to take jobs at the minimum wage, because they had some fairly enticing things on the street, of dubious legality, perhaps, that pay a lot more.

I do not think there is a serious problem. My guess is—I am part of the vocational educational establishment, in a sense, as I am on the President's Advisory Committee—that educators are influential enough that you will get money for in-school programs as well.

Mr. SARASIN. I get an impression that I am sure is not one that you wish to convey. You almost seem to be saying that the business community is concerned about unemployment, but we do not want

to handle the problem of kids, so we will support some program that takes them away and they will not be a problem for us. It will be a Federal problem instead.

Mr. LOVELL. The easiest thing in the world to say to you, sir, is you should reimburse that the private sector, and we will create new jobs.

I am just telling you the truth. It is a question of substitution. If you want the business community to hire kids and not someone else, we can do that.

If the Government wants the business community to hire people they do not need and is willing to subsidize the entire cost that, we can do that.

There are some serious disadvantages however, in terms of the attitude of the management when you have some categories of people that you do need, and some that you do not.

Mr. SCHUBERT. Let me add to that, too.

The fringe benefit costs, payroll costs, supervisory costs are such that an employer will not add to his payroll unless he sees that it is, as the chairman points out, in a very astute question that he asked Professor Eisner, unless he see that the demand currently or the projected demand will support that work force. Unless there is going to be a massive subsidy program, even then, it is questionable. All you are doing is establishing a priority.

As was said, if Congress decides that young people are the priority and are going to provide inducements in the direction of one type or another of moral suasion to hire young people in lieu of Vietnam veterans or disadvantaged or females, that is the way it will come out.

But you will not create any jobs in the final analysis. The NAB experience demonstrates that.

Mr. SARASIN. You feel that this would be a solution that would take care of the problem for the young people and allow the business community to address the other problems?

Mr. SCHUBERT. What we are talking about here is a relatively short-run problem with young people who came out of the baby-boom. It is a social dynamite problem. We cannot wait.

We have got to provide some temporary, transitional employment. At the same time, we have to stimulate the private sector so the young people coming out the back end of a year of public service employment and training and work orientation have some place to go.

If we do not provide the back end—that is, the private sector has not been stimulated to the point that investment has occurred in capital goods, in my industry and in Mac's industry, this temporary program is just going to result in kids disillusioned because they have been trained for jobs that do not exist.

That does not make any sense. There has to be a concurrent effort in both of those.

Mr. LOVELL. We expect these kids to move into the private sector. We are saying do not subsidize the private sector to take them before there is a demand for that kind of labor.

Mr. SARASIN. I am not saying I disagree with you.

Mr. LOVELL. I am glad you cleared that point up. It is interesting that in the last 10 years, 75 percent of the growth of the labor force has been in the service sector, private service sector.

Mr. SCHUBERT. Not production, manufacturing, but service.

Mr. LOVELL. If you do not have the goods built you cannot sell them, you cannot repair them, you cannot distribute them.

You usually think of the private sector as the assembly line. It is not, really.

Mr. SARASIN. In order to carry out the intent that you are suggesting, there would have to be a huge amount of job training as a part of this process. You are not talking about a make-work situation or a holding pattern?

Mr. LOVELL. To the degree that we can provide useful vocational training, we should. I would like to see something else, too, and that is along with a major effort of this kind, to have the community itself resolve to work with the kids in terms of motivation. That is beginning to happen today.

You are seeing more and more of this kind of leadership.—In Watts, we have had some very fine leadership over the years. There has been some really splendid work done in motivating the kids. I remember one time I was there several years ago, I said, what is the unemployment rate. They said, it is just the same as when I was there before but they are different people. So they are moving people into jobs. We have had some success.

Mr. SARASIN. You suggested the minimum wage be paid to youth?

Mr. LOVELL. As you have heard today, the points of view about the effect of reducing the minimum wage are certainly debatable. I think the average individual community thinks we should reduce the minimum wage. I would like to see some experiments and find out what effect it would have. I would like to try it out in some way that could be worked out from a realistic point of view. It has to be worked out with the unions.

You are not going to get a program like that unless you can work it out with the unions. There are ways, I think, that would be acceptable to the unions and I would like to see some dialog take place to get this argument off of dead center where it is, "t'is and t'ain't," and try to find out what effect it does have. Does it indeed create additional jobs, or does it substitute a lower paying job for a higher paying one? Does it affect the average wage levels?

My guess is that an experiment done in conjunction with the unions might be able to find out some of those answers.

Mr. SCHUBERT. An unfortunate thing. In the past, concepts like this have become red flags; the youth differential. The Labor Department has tried for some period of time some interesting programs involving work experience where the rate for the job and the rate for training were so mixed that the totality was less than minimum wage.

The unions implicitly accepted this; there were some very beneficial results.

What we are saying is that we ought to explore some of those things and see if more cannot be done in this regard. The most objective observers on the scene are very concerned that going to $2.70 or $3 or whatever the minimum wage is going to be, is going to have a further deleterious impact on youth employment. You have to weigh that.

Mr. SARASIN. My concern here would be that you carry an individual for a long period of time, at the minimum wage, hopefully

train him, make him more employable, but that opportunity may still be a minimum wage opportunity.

Mr. LOVELL. That is right.

Mr. SARASIN. Is that a goal that we should be shooting for? If it is something less—I am not talking about $1.25 or $1.50; if you knock the 11 percent or 12 percent off the minimum wage, you would be down to $2.05.

Mr. LOVELL. What we have tried to do is come up with testimony today that in our fairly extensive experience in this business we think is workable.

I remember when the Neighborhood Youth Corps was first developed and Stan Rutenberg at that time came up with a wage that was under the minimum wage. This was under a democratic administration and they were beaten down. They were not able to get away with it. Certainly we were not able to get away with it.

I am not saying that it is not right and I am not saying that it is desirable. I am just saying that if you are going to solve the problem, you do it in areas where you know there is some possibility.

Mr. SARASIN. Thank you very much, gentlemen.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. LeFante.

Mr. LEFANTE. Yes, Mr. Chairman.

I want to understand this correctly. Are you saying that subsidization of private industrial jobs would result in substitutions?

Mr. LOVELL. I think that is right.

Mr. LEFANTE. All right.

Mr. LOVELL. It can be useful to that extent, if you want, veterans, minorities, handicapped, to that extent it would be useful.

Mr. LEFANTE. It would be an inequity?

Mr. LOVELL. It would not be. It would reimburse a company for hiring someone who is not fully qualified that needs to be trained, and not fully productive.

Mr. LEFANTE. You do not understand me.

If you take on a youth in the program and you train him and you find out that he is more attentive, more concerned, more dedicated, more motivated, maybe with a better attendance record, at that point you may have an opportunity, barring all labor contracts, of course, or negotiations, to say, maybe we should lay Joe Blow off and put this kid on. We will get more out of him in the long run, efficiencywise. That is what I am talking about, competitive inequity.

Mr. LOVELL. I am not talking about that.

Mr. LEFANTE. That is where we misunderstand each other.

Mr. LOVELL. When you hire youth on the job—one does not get rid of somebody else—you would hire that youth instead of hiring an older person. You have an opening for one person; whom do you hire?

Mr. LEFANTE. Let us talk about that.

On page 10, you list your priorities. First, the unemployment of youth; second, the long-term unemployment among heads of households. That is a little cockeyed to me. If I were so concerned about the economy and the conditions of the country today, my priority would be to the heads of the family, because the head of that family is supporting his family. This 16- or 19-year-old kid may have 4 or 5 brothers and sisters younger than him, and papa may be home.

Mr. LOVELL. We are saying both are very important. If you want to lump them together, that does not offend me.

Mr. LEFANTE. I would like to know, in your opinion, which really rates as a priority? Unemployed youth from a minority family or a head of household?

Mr. SCHUBERT. This is very carefully worded: "Head of household with labor attachment." That means they have been in the labor force, oriented to the world of work. The odds are very great, in terms of BLS statistics, that they will get back into the work stream.

The problem with these young people, 16- or 19-year olds who have dropped out of school, on the streets, they have no work experience and orientation, and constitute a social problem of great magnitude, in our view, over the short term of the next 5, 6 years because of that baby boom. We have to put some priority there.

Mr. LEFANTE. Mayor Gibson convinced us of that earlier.

Mr. SCHUBERT. Heads of households can be assimilated with an upturn in economy much easier than that kid who does not have any skill, nor any orientation to the world of work. He has never been there. Maybe he has never been away from two, three blocks from his home.

Mr. LEFANTE. What do we do with that kid, per your suggestion here, after the 12-month period?

Mr. SCHUBERT. Hopefully, during that 12-month period he has been trained to the best of the Labor Department's ability to project, pursuant to job openings in his area, or something close to his area, working with the employment service.

One may say to the kid, look, you're not going to have welder's jobs in Harlem, but there will be welder's jobs open in Baltimore, in the ship repair industry, as the best projection of the employment service a year or so from now. There is going to be that kind of demand.

So you provide that skill. Then you provide for some inducement to get the young person, perhaps relocation assistance. Get him down there to Baltimore to that job.

Mr. LEFANTE. You are not specifically, in addition to what you have already expressed, thinking of the CCC operation?

Mr. LOVELL. That would be a part of it. I would not see it for large numbers. My guess is that you are not going to take a lot of these kids from a city. You can do a certain number; the Job Corps is that, in a sense, and that should be continued and perhaps expanded some.

If we could get that rate of unemployment down from 40 to 20, it will not solve all the problems, but it sure would be a big step.

Mr. LEFANTE. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. Thank you, Mr. Chairman.

I have one or two questions. What you are really saying, then—you heard Dr. Eisner's testimony—you are really saying that, as far as you are concerned, that really does not do very much to solve the problem.

Mr. LOVELL. What we are saying is that it is an important distinction. We have got to have a strong private economy and so we have to take those steps in our tax policy and our monetary and fiscal policy to maintain a strong economy.

Whether we do it his way, whether his way is better than some other way, I think to some extent—let me put it this way, I think I would disagree with him in some areas.

In order to compete, you do not always want to substitute people for capital. Sometimes you are far more competitive and create more jobs over time by bringing capital into industry.

The steel industry, for example——

Mr. SCHUBERT. The investment tax credit is absolutely essential for modernization of the steel industry and preservation and expansion of job opportunities. There is absolutely no question about that.

Mr. WEISS. I must say that I am somewhat impressed by your presentation. I have read your testimony.

The question I have is the same that Mr. Le Fante posed to you. Suppose, in fact, the projection does not work out and the year after youngsters on the job in fact do not have any job openings in the private sector.

Why should there be an automatic displacement? Why cannot the program which you suggest be carried in such a fashion that, as long as the rate of unemployment remains at a certain level and the private sector jobs are unavailable, that the Government service jobs continue, in order that you do not take someone, give him some training and then throw him on the scrap heap before he has had a chance to go to work.

Mr. LOVELL. The problem you describe is somewhat the problem of a young mother who wants her son to grow up to be a big boy but does not want him to get hurt, so she says, go out in the world, sonny, but be sure and come home for supper.

At some point, the youth has to——

Mr. WEISS. I beg your pardon. I am talking about an economy that is, in fact, in such a desperate state that no one can get jobs. Your started a program where you put youngsters on the public payroll. Your statistics will indicate the fact that no matter what that kid does, there is no job for him to get.

Why then say, OK, now you go out and play in traffic?

Mr. SCHUBERT. It may be necessary——

Mr. LOVELL. You have to look, the rate of unemployment in the Nation is not 40 percent, it is 40 percent among minority youth in the cities. To say there are no jobs is not right.

These people, for a variety of reasons—part of them physical, because they do not live where the jobs are; part of them educational; part of them motivational. By the time the rate of minority unemployment in the inner city is the same as all youth, or even better yet, is the same as the entire population, then we can start talking about it.

If you say to these youths, you can always have this job. You do not have to look. You do not have to leave the city—you have to motivate them to look.

That is my answer, Mr. Weiss. You have to motivate them to get out and look.

Mr. WEISS. All I am saying, or asking—are you not really taking a well-thought-out proposal and really undermining it seriously by putting a limit on it which is very arbitrary and not related to realities?

As far as you are concerned, if the unemployment rate had gone up, that it is double what it was when that kid started, at the end of the year's expiration, he would still have to lose that job.

Mr. SCHUBERT. I can suggest a part of an answer. It may be that some other program would be necessary at the end thereof, under certain limited, triggered in certain circumstances. But we do not think that this program that has been described here should be perpetuated.

The triggering, individual triggering, is as important as program detriggering because you have destroyed the concept of the program if it can go on indefinitely. There should be a concentrated training work-orientation exposure program and then a thrust out into the world of work.

Perhaps if there is an attempt to find a job and relocation, and it does not work, maybe you should do something else. But this should not be in the program, because it will defeat the integrity of the program, and that is one thing we certainly all learned in looking at manpower experience in the last 10 years.

Mr. WEISS. Thank you very much.

Thank you, Mr. Chairman. I will not pursue this further at this time.

Mr. HAWKINS. Just one last comment in clarification. You seem to be very desirous of removing the inequalities that exist between groups, and I applaud your efforts in that direction.

Was it not true, in 1975, that about 2.5 million persons who were laid off jobs, exhausted their unemployment insurance benefits? If I recall the statistics, there were at least 40 percent of those who were white males in the age group between 20 and 45.

Are you saying that there were enough jobs in the economy that would have provided employment for these individuals; in spite of that they exhausted their unemployment insurance benefits and a substantial number, 2.5 million persons were added to poverty in that same year, largely as a result of this situation?

What I am suggesting is, is it not more a problem than just the unemployment of youth, and is it not just something more than just trying to remove the differential in the economy?

Mr. LOVELL. We are well aware, and we certainly would agree, that the goal of this society should be to provide jobs to everyone who wants one over time, but still without sacrificing other objectives that are viewed by society in a democratically arrived at process, without sacrifice to them.

That is not easy. If it were easy, we would have done it a long time ago.

We think that as a society, we are probably moving toward that, and I am optimistic, but I would certainly never say that we should be satisfied with the number of jobs that we have.

I guess our disagreement with you, in the context of how you would do it—what we have tried to do here is take a little bite out of it, Mr. Chairman, and say, here is something that is constructive and something the business community, by and large, would support.

I cannot offer that support now, because we do not have it. But both Dick and I have been active enough in discussions with the business community to think that these principles are those that the business community could support.

As you suggest, that perhaps does represent some sort of change of attitude on the part of others.

Mr. HAWKINS. It is a good place to stop. I am very much encouraged. You have been far more positive this morning in your presentation—I am not saying you have not been positive in the past—but I certainly think that your testimony has been most encouraging. We certainly appreciate your appearance this morning.

The final witness is the Reverend Arthur Keys, chairman of the Committee on Full Employment of the National Council of Churches.

We certainly welcome you before the committee. Your statement, I assure you, will be printed into the record in its entirety at this point.

[The prepared statement of Rev. Arthur Keys follows:]

PREPARED STATEMENT OF REV. ARTHUR B. KEYS, JR., ON BEHALF OF THE NATIONAL COUNCIL OF CHURCHES

Chairman Hawkins and members of the subcommittee, my name is Arthur B. Keys, Jr. I am on the staff of the United Church Board for Homeland Ministries and am Chairman of the Committee on Full Employment of the Health and Welfare Working Group, Division of Church and Society, of the National Council of Churches.

The National Council of Churches of Christ in the United States of America is a cooperative agency of thirty Protestant and Orthodox churches in this country. I do not purport to speak for all members of the communions which are constituent to the National Council of Churches. I am speaking for the Governing Board, the policymaking body which is composed of persons selected by member denominations in proportion to their size. It is this group which determines the policy positions through which the Council seeks to fulfill its expressed purpose "to study, and to speak and to act on conditions and issues in the Nation and the world which involve moral, ethical and spiritual principles inherent in the Christian gospel."

Mr. Chairman, I want to thank the Subcommittee for the opportunity to present this statement and to commend you for considering proposals to deal with the national unemployment problem through immediate job creation. We particularly welcome the action of the House Budget Committee last week in approving the expenditure of $3.5 billion for employment programs in fiscal year 1977. This is a hopeful beginning. We believe that the unemployment crisis is so grave that immediate action on job creation is imperative. At the same time, we are committed to the long-term goal of full employment.

The National Council of Churches is deeply concerned about the national economic crisis and the extremely high level of unemployment which the citizens of this country are experiencing. The Health and Welfare Working Group of the N.C.C.'s Division of Church and Society is currently implementing a nationwide 2-year program of education, organizing and legislative development on the need for full employment.

The Governing Board of the National Council of Churches adopted a Resolution on Full Employment in March of 1976 which said, in part:

"[The Governing Board of the N.C.C. asserts that full employment is an essential element of a more just economic order an dthat every individual should be guaranteed the right and the opportunity to a job at adequate compensation. We commit ourselves to the task of shaping a national policy of full employment which would provide the hopes for a better and more productive life for ourselves, our families and our neighbors. We call upon the Federal Government to make full employment the nation's number one priority."

At its October 1976 meeting, the Governing Board reaffirmed its support for this goal in an "Open Letter to the Presidential Candidates," saying: First, a major injustice in our country is the human cost of a continued high rate of unemployment. We are particularly concerned about its impact on young people and thus on future generations of our society. The Governing Board of the National Council of Churches is convinced that the attainment of full employment should be the nation's number-one priority.

The N.C.C. continues to be committed to the belief that the achievement of a full employment economy is absolutely essential to the security of our nation and the health and well-being of its people. We recognize that this is a long-term

goal which, while highly desirable, cannot be implemented immediately. Thus, we support both immediate job creation efforts and a permanent full employment program.

With nearly 8 percent of our nation's work force "officially" unemployed, we cannot afford to wait for long-term solutions. For the eight million people who are jobless and the millions more who are underemployed or have given up their job search in despair, "later" is too late. Help must come now. Jobs must be created now to litt the burden of unemployment from 3 million heads of households (many of them women) who cannot work to support their families, from young veterans for whom joblessness stands at 18 percent, and from the one-third of the Nation's employable teenagers who cannot find work.

We are especially concerned that the tragedy of joblessness falls most heavily on those least able to bear it—women, minorities and youth. In recent months, with the official national unemployment rate hovering at nearly 8 percent, the jobless rates among people in the labor force aged 20 and over have averaged 6.3 percent for men and 7.6 percent for women. When people aged 16 through 19 are included, the averages shift to 7.4 percent for men and 8.7 percent for women. Among all people in the labor force aged 16 and older, unemployment for whites averages 7.3 percent; the rate for nonwhites is 13.5 percent. In the 16 to 19-year-old group, 16.7 percent of the whites are unemployed as are a staggering official government count of 38.4 percent of nonwhites. Some sources state that the figure for black teenagers is actually about 60 percent, since the official figures count only those who are actively seeking employment and do not include those who have given up their job search in despair after prolonged periods of fruitless effort.

In March of 1975, over 42 percent of the women in the labor force were single, widowed, divorced or separated and working to support themselves and their dependents. Among married women workers, over 45 percent had husbands who earned less than $10,000 per year. More than half of the women in the labor force who have been married have children under age 18.

We believe that every person has both a right to a job and an obligation to serve the community through work. The Government has a clear responsibility to assure employment opportunities to all people who are able and willing to work.

We are very much encouraged by the initiative the Administration has taken in proposing an employment program for fiscal year 1977 and fiscal year 1978. We especially welcome the action of the House Budget Committee in expanding the administration's proposal by approving $3.5 billion for direct job creation in fiscal year 1977.

We understand and share the concern which some have expressed about the relationship between inflation and unemployment. Nonetheless, we feel that joblessness is so costly socially and in terms of human misery that bolder steps are needed than have so far been proposed by either the Administration or the Budget Committee.

We call upon Congress and the administration to take immediate steps toward implementing the eventual goal of full employment by creating at least 2 million jobs in the current fiscal year and another 2 million in fiscal year 1978. We believe that this can be most quickly and efficiently achieved through substantially increased funding for such employment-producing programs as public works and public service, housing rehabilitation and construction, youth employment and training, and countercyclical assistance.

We are convinced that an individual's sense of self-worth is closely related to the feeling of contributing creatively and responsibly to the needs of the community. Therefore, we are especially concerned that government employment programs be focused on socially useful work. We believe that jobs created as we have suggested would meet this need since they would be concentrated in such vital areas as energy conservation, housing rehabilitation; health, education, recreation, transportation, child care and maintenance of essential public services.

While we believe it is essential to create at least 4 million new jobs by the end of Fiscal Year 1978, the National Council of Churches remains committed to the enactment of a permanent full employment program which will guarantee the opportunity for employment to every person able, willing and seeking to work.

As part of such a permanent employment program, it is imperative that the monetary and fiscal policies of the Government be designed so as to encourage employment and control inflation. Long-range economic planning is essential to

assure that neither inflation nor unemployment is allowed to soar again to the levels which have characterized the mid-1970's.

Some of the economic recovery plans which have been proposed recently rely primarily on tax rebates and tax cuts as ways to stimulate the economy. Certainly such programs would be beneficial to many people; but there are a number of factors which are of concern to us. Among them are the following:

One-fourth of our adult population are too poor to pay any income tax and so would receive no benefit from a tax reduction;

Any permanent tax reduction would also reduce the federal revenues available to finance future employment and social welfare programs; and

Tax reductions and tax incentives lead to new employment only very slowly and indirectly.

It is our belief that economic recovery will be stimulated most effectively by direct job creation, targeted especially on the most disadantaged groups—women, minorities, and youth—and concentrated in the fields of greatest social usefulness.

As a Nation, we must concern ourselves with the tragic human costs of unemployment. We must recognize that unemployment and poverty go hand-in-hand and that both lead to loss of self-respect and to despair. We cannot deal with the problem in terms of statistics. The unemployed are human beings, not numbers or the unfortunate residuals of economic theories.

As a Nation, we must increase our sensitivity to those among us who are not meaningfully employed and commit ourselves to the achievement of a job for everyone able and willing to work. Unless we do, it is improbable that we will be able to respond to other injustices in our country or contribute to the development of a just and sustainable global society.

Mr. Chairman, we thank you for this opportunity to present our views today.

STATEMENT OF REV. ARTHUR KEYS, CHAIRMAN, COMMITTEE ON FULL EMPLOYMENT, NATIONAL COUNCIL OF CHURCHES, NEW YORK, N.Y., ACCOMPANIED BY MARY COOPER

Mr. KEYS. Mr. Chairman, I would like to introduce Mary Cooper of the Washington Office of the National Council of Churches.

Because of the lateness of the hour, let me not read the testimony, but just do a brief, a brief summary and respond to any questions that you may have.

Let me say briefly that the National Council of Churches has a very active program in concern with full employment and our concern is primarily that of a moral concern that we very strongly believe in the interrelationship between the worth of an individual and of a society, and the employment possibilities that are available to those individuals.

I think we also have a very strong concern for the disproportionate effects on minorities and young people and on women, and the kind of proposals that we think are most desirous are those that would take both the short-term and long-term effects on unemployment into account, since unemployment is not a recent phenomenon, but has been with us for many years and has been a social evil that our society has not been able to control.

I think that we also are desirous to see a multiplicity of efforts in programs targeted at specific unemployment problems with various subgroups and do not believe that general economic stimulation is possible to really deal with the unemployment program.

I would make one last comment, and that is that I think that the support for unemployment, full employment, is growing within the country and I would say—and my evidence for saying that, it is certainly growing within our constituency. The number of letters and requests that I respond to have increased in the last 6 months.

I think that there is a greater willingness and concern and hopefulness, if the new administration and Congress will seriously address this question.

Thank you.

Mr. HAWKINS. Miss Cooper, would you care to supplement those remarks?

Ms. COOPER. No.

Mr. HAWKINS. Thank you very much, Reverend Keys.

In your prepared statement, just roughly going through it with respect to the general spirit, do I understand that you would favor direct job creation as opposed to using tax rebates and cuts? Do you think that immediate steps should be taken toward the eventual goal of full employment by creating at least 2 million jobs in the current fiscal year and another 2 million in fiscal year 1978? And in that respect, you go beyond the President's recommendations in supporting a much larger package.

Do I understand that to be generally the essence of what you are actually recommending?

Mr. KEYS. Yes. I think that is correct.

The basis of our concern is that we feel perhaps that unemployment is a greater problem in society than some political leaders do, and we feel that direct job creation is not only the most cost-effective way but the best way to impact minorities and youth unemployment, which are most particularly concerned about.

Mr. HAWKINS. Mr. Sarasin, do you have any questions?

Mr. SARASIN. Very quickly, Mr. Chairman.

Reverend Keys, one point in your statement, you refer to the long-range economic planning. I have a great personal fear of that.

In view of the fact that we run the Post Office so well, I am afraid to try to run the economy.

Do you really think that Government is in position to do something that no one can really predict?

Mr. KEYS. I guess I would say that in some ways the Government does run the economy now, but they are not doing as adequate a job as we think could be done with more perfected economic planning mechanism.

I would also say that I share many of your concerns in terms of how economic planning is done. I do not think that economic planning, per se, is a good thing, but I think most industrial societies have developed a better planning mechanism than the one we have and one that is able to anticipate and cushion a lot of the effects of the business cycle upon individual people.

Mr. SARASIN. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. LeFante.

Mr. LEFANTE. No questions.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. I would just like to express my appreciation for Reverend Key's presence and for his patience.

Thank you, Mr. Chairman.

Mr. KEYS. May I make one parting personal comment?

I very much appreciated the testimony of the two business representatives that preceeded me, and I think that is a good sign to see interest in the business sector of the economy.

My personal observation is that I feel a little bit uneasy trying to attribute unemployment solely to demographic curves. The reason I bring that up, I have been your only witness who chose to be born during the baby boom, and I apologize.

Mr. HAWKINS. Reverend Keys, thank you.

The committee is adjourned. It is our intent to meet on Thursday morning.

I hope sincerely that we may have some Members who will provide us with some additional support on Thursday at 9:30 a.m.

In the event that we go beyond a reasonable time, such as 11:30 or 12 o'clock, I will understand. It is a sacrifice to ask individuals to stay longer. We will try to terminate as soon as possible.

Mr. Perkins has assured me that he will be present, so we will have at least one other Member, and I hope that as many of you as possible will try to accomodate us.

[Thereupon at 1:10 p.m. the subcommittee recessed, to reconvene on Thursday, February 10, 1977 at 9:30 a.m.]

[Material submitted for inclusion in the record follows:]

NATIONAL ASSOCIATION OF MANUFACTURERS,
February 16, 1977.

MS. SUSAN GRAYSON,
House Office Building,
Washington, D.C.

DEAR MS. GRAYSON: Enclosed you will find NAM's statement, entitled "Unemployment and Job Creation", which we would like to insert in the record of the hearings held on February 8th and 10th before the Employment Opportunities Subcommittee.

Thank you for your cooperation.

Sincerely,

DAVID ENGLANDER.

Enclosure.

UNEMPLOYMENT AND JOB CREATION

Persistent high unemployment rates have resulted in growing national concern. The responses to unemployment in this country have essentially taken two forms: income maintenance and employment stimulation. Industry has, to date, concentrated much of its attention in the area of unemployment to the disincentive effects of some income maintenance programs. However, employment stimulation is deserving of greater attention than it has heretofore received.

Legislative efforts toward employment stimulation have most often taken the form of public service employment programs, public works programs and measures to stimulate the private sector. However, both public service employment and public works involve extremely high costs and therefore can reach only a limited number of the unemployed. One public works program averaged a per worker year cost of $54,700 and it is estimated that because of substitution only half the public service jobs funded represent a net increase in public employment. Further, many of these programs involve mere "make-work" tasks, yielding little productive output to the employer and little sense of achievement to the employee.

The full employment legislation recently considered by Congress (H.R. 50, S.50) has as its exclusive goal the reduction of the rate of employment without regard to the clauses of unemployment.

While some public works and/or public service programs might be useful in some cases as an interim measure, it is industry's view that a far more effective, more enduring and ultimately less costly approach is through the encouragement of private sector employment. Private sector employment stimulation would not require the development of additional government programs or administrative structures; government payrolls would not be swollen to accommodate unnecessary employees and workers would be be engaged in productive jobs.

Capital formation

Central to private sector stimulation is the necessity for a change in the present anti-investment biased tax structure. Removal of present savings disincentives would promote the accumulation of sufficient capital to expand, modernize and diversify operations, thereby creating productive jobs and growth of real wages and supply.

Toward this end, industry recommends:

(1) A immediate across-the-board reduction in the corporate normal tax to 20 per cent (leaving a 46 per cent top rate) and an extension of the corporate tax exemption level now at $50,000 to $60,000 in 1977 and to $100,000 in four steps by 1981. This would benefit all corporate business operations but give a little more boost to small and moderate size business operations. The direct revenue impact in 1977 would be on the order of $3 billion and somewhat more in later years.

(2) Additional encouragement for job-creating investment which could be implemented on short order by a 12 per cent investment credit which would have an initial revenue impact of about $2 billion.

Employer service

On a more immediate level: greater effort must be made to coordinate the existing 500,000 to 1 million job openings with the unemployed. The federal government already has the vehicle to perform this task: the Employment Service. Much can be accomplished toward rendering the service more efficient and giving it wider employer appeal by—

(1) Separating the service from the administration of the unemployment insurance system.

(2) Requiring it to provide more careful screening of job applicants before they are sent to a prospective employer.

(3) Requiring Employment Service listing of all unemployed individuals receiving unemployment insurance.

Longer-term coordination of the labor pool with projected job opportunity is also critical if workers are to have the skills which will be required in the future. NAM encourages continued study such as that being conducted by the National Manpower Institute in their work—Education Consortium Project.

Youth unemployment

In response to the special problems of youth unemployment, industry urges the suspension of the application of minimum wage laws to young workers. This would encourage the hiring of young people by alleviating the apprehension of many employers over the high training costs and turnover rate associated with teenage employees.

Disincentive

Cases of unemployed individuals netting more from income maintenance programs than from employment are common. One case involved a recently retired unemployed miner earning $14,000 while employed and $21,000 in government and employer benefits when retired. Such a case is obviously unusual, but approximate parity of income maintenance benefits with net earned income is frequent. Sufficient disparity between the two must be maintained.

FOOD SERVICE AND LODGING INSTITUTE,
Washington, D.C., February 16, 1977.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Subcommittee on Employment Opportunities, Education and Labor Committee, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Foodservice and Lodging Institute herewith submits its comments with regard to Bill H.R. 50, the proposed Full Employment and Balanced Growth Act which is now the subject of hearings before the Subcommittee.

We respectfully request that our statement be made part of the hearing record.

Sincerely,

WILLIAM G. GIERY,
Executive Secretary.

Enclosure.

STATEMENT OF THE FOODSERVICE AND LODGING INSTITUTE

Mr. Chairman and members of the Subcommittee, the proposed Full Employment and Balanced Growth Act provides for new plans, programs and reports by the President and members of his Cabinet. It provides for the maintenance of trends for charting and analyzing unemployment. It provides for coordination, integration and improvement of policies and programs of the Federal Government and it will require better management and increased efficiencies. It will provide for a new Advisory Commission and will set up a new office in the Department of Labor. And, finally, it will provide for a general review of all of this by the Congress.

Unfortunately, it will provide no jobs.

The nation's unemployed are not concerned about more programs to discover reasons why they are unemployed. When a husband of a family of four cannot provide food for his family's table, he is concerned not with statistics, but rather why he cannot find a job.

For the man who needs a job now, this proposed bill is a waste of time. For the teenager out of a job because his employer can no longer afford him, the proposal is a disgrace.

It creates a false impression that the Federal Government will open the doors to everyone. It promises a job and a salary for everyone. It is a promise that is impossible to keep. It has not worked in the past and it is doubtful it will work in the future.

Today, PhD's are working as janitors and salesmen. Space scientists are selling real estate. Men and women with Masters' degrees who should be teaching our school children are clerks because there aren't enough schools to employ them.

Ever since the dawn of the Great Society of the Sixties, the Federal Government has encouraged this nation's citizens to educate themselves out of jobs. There were plenty of exotic jobs in government at that time. Everyone became a specialist because the government told us to specialize. But as salaries climbed and appropriations were slashed it became evident that the cure was worse than the disease. Those gainfully employed in programs to accelerate our race to the moon found themselves out of work soon after we got there.

We believe a similar fate will befall programs eventually created by this legislation.

The Foodservice and Lodging Institute is a national trade industry group of 30 of the nation's largest multi-state and multi-unit food service and lodging companies. Its members operate more than 30,000 individual establishments and employ in excess of 1.3 million persons. The industry is one of the largest employers in the nation and is, in fact, the nation's number one employer of teenagers and school-aged youths.

We oppose enactment of H.R. 50 because even if it is effective the results are only temporary. Somewhere down the road to the next decade, funds to keep the program afloat will run out. Then, the nation is back where it started, a little poorer but not the least bit wiser.

Instead of creating another massive government WPA program, the Congress should concentrate on spurring capital investment to create jobs in private industry instead of inhibiting and competing with it. It should loosen some of the constraints with which it has shackled private industry. It should concentrate its vest powers on creating job opportunities in the private sector rather than creating make-work jobs in the Federal Government.

By far the most frightening aspect of the measure will be its eventual control over the destiny of its private citizens, of commerce and of business. It would eventually mandate a 3 percent unemployment rate and it will decide for us which three persons of every 100 will not work at all. That is shocking.

Our industry cannot be said to be against full employment. We are, as we stated, one of the nation's largest employers and with the help of a healthy economy, our industry will continue to grow and create more employment opportunities. But we cannot expect to grow unless we have a continual supply of eager workers, and this bill will inhibit that supply. Government employment as a last resort would soon become Government employment at any resort. It is doubtful that our industry could compete with the Federal Government for employees. It is unconscionable that we should have to compete.

The policies incorporated in this bill are designed to apply to youths as well as adults. Unemployment among young people always seems to be particularly high, a fact that, however regrettable, is understandable.

Why, in the second quarter of 1976, were unemployment rates for white teenagers at 16.5 percent and for young black men and women at 40 percent? Why does a National Urban League report show black teenage unemployment at 63.8 percent during the same period?

One need only look at the Fair Labor Standards Act for the answer. If you think that unemployment among teenagers is high now, these figures will go right through the roof when Congress raises the minimum wage, as they are now contemplating, from $2.30 to $3.00 per hour. You will price the youth labor market out of existence, particularly within the industry which is the prime employer of youth. And you will reopen the wounds of Watts, Newark, Detroit and Harlem where the fires of the Sixties and early Seventies will reignite.

Can the proposed Humphrey-Hawkins bill provide youth community service jobs for more than 20 percent of the total youth population? If so, for how long? Where will that youth find a job when he or she enters adulthood? Big government took care of him when he was a teenager and big government will have to take care of him through retirement. Public service empoyment and youth community service jobs may be worthwhile, but the ideal training ground for young workers is where they will work as adults—in private industry.

Mr. Chairman, many of your colleagues in both the House and Senate, I am sure, believe that jobs within our industry for youths are dead-end jobs. We dispute this and I am sure that your sons and daughters will agree with us.

Jobs in the food service industry for youth provide a definite meaningful work experience. In many instances, it is their first work experience. We have been able to channel their natural enthusiasms into constructive and rewarding opportunities. They learn to be responsible and trustworthy. They learn the importance of punctuality, of neatness, and of being reliable. And more important, they become conscious of the value of work.

Talk of full employment today is not enough. A promise of a job for an individual by 1980 will not help that individual today when he needs it most. It is encumbent upon the Federal Government to avoid this "big brother" type of domestic employment policy, and instead dedicate itself to a unified effort with the private sector to encourage lasting employment and training for all who want it.

The Foodservice and Lodging Institute respectfully requests that this statement be admitted into the hearing record.

THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AUTHORIZATION OF APPROPRIATIONS FOR CETA, AND THE PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

FEBRUARY 10, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to recess, at 8:05 a.m. in room 2175, Rayburn House Office Building, Hon. Augustus Hawkins presiding.

Members present: Representatives Perkins, Hawkins, LeFante, Weiss, Sarasin, and Pursell.

Staff present: Susan D. Grayson, staff director; William Higgs, counsel; Carole Schanzer, clerk; Hugh Duffy, majority counsel; and Nathaniel Semple, minority legislative associate.

Mr. HAWKINS. The Subcommittee on Employment Opportunities is called to order.

This is a continuation of the hearings we started in connection with the employment opportunities, which includes the Comprehensive Employment and Training Act; the Full Employment Act, and various other bills.

We will continue these hearings over the next few weeks. For purposes of introducing the first witness, I would like to call on the chairman of the full Education Committee, Mr. Carl Perkins, at this time.

Mr. Perkins, we are very pleased to have you with us this morning, and certainly we will look forward to your participation as usual in these hearings. We appreciate the leadership that you have given to us in this field of employment opportunities.

Chairman PERKINS. Thank you very much, Mr. Chairman.

First let me state that we only have four CEP programs in the United States. We set these up orignally to make sure that certain rural sections of the country were not neglected, and it would be my hope this morning that Mr. Osborne, who is head of one of the programs in east Kentucky that has worked out well, would give the committee someof the shortcomings, especially insofar as the funding is concerned and insofar as some discretionary funding may be needed for certain training programs that have never been put into existence although there is a great demand there today.

Particularly and specifically, I am referring to some mine training programs and in addition thereto, naturally, he is very much interested in all aspects of the Comprehensive Employment and Training Act, especially the public service and employment aspects.

I do want to state that he is one of our good administrators for the State of Kentucky who has done a wonderful job in this program, and he is here to see that he makes what contribution he can, along with other witnesses, so that we get the bill enacted at the earliest possible date.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Osborne, as subcommittee chairman under the chairmanship of Mr. Perkins, I want to welcome you to the committee. May I also at this moment direct our attention to one of the minority members of the committee, Mr. Pursell. This marks the first time that he has had an opportunity to participate in the work of the subcommittee. Mr. Pursell, we are delighted to have you with us this morning.

Mr. Osborne, you may proceed.

STATEMENT OF VIRGIL OSBORNE, DIRECTOR, EASTERN KENTUCKY CONCENTRATED EMPLOYMENT PROGRAM, HAZARD, KY.

Mr. OSBORNE. Thank you, sir.

Mr. Chairman and members of the committee, thank you for this opportunity to appear before you today.

My name is Virgil Osborne and I am executive director of the eastern Kentucky concentrated employment program. My agency is one of four rural CEP's in the Nation that has been designated as a CETA prime sponsor and one of five prime sponsorships in the State of Kentucky.

My agency serves 22 of the State of Kentucky's 120 counties. It is a rural, mountainous area of some 8,000 square miles with a population of approximately 405,000.

Also, Mr. Chairman, in the State of Kentucky, in an effort to try to develop program continuity, to prevent overlap and duplication, and to work toward better communications and coordination in getting the CETA services to those in need, we have established a prime sponsor forum, with all Kentucky prime sponsors in membership.

Presently, I serve as the chairman for this forum. This testimony I present here today not only represents the concerns of my agency, but also those of the other prime sponsors in the State of Kentucky.

Mr. Chairman, I am not here today to take issue with CETA itself. In fact, we in Kentucky feel that it is the best piece of employment and training legislation that has been enacted to date. In 1973, when CETA was enacted, it was the culmination of years of experience characterized by successes and failures, into one single approach.

CETA was designed to provide a comprehensive approach to training and employment opportunities for the economically disadvantaged, unemployed, and underemployed persons; to strengthen the ties between the programs and the people on the one hand and between the local and Federal offices on the other—in other words, local decisionmaking and decentralization. We think it is doing this.

While we believe in the concept of CETA, we think that now, partially because of the time limit built into the act and partially because of a change of administration in Washington, CETA appears to be at a crossroad. Some feel it is time to completely rewrite the act,

while others prefer to merely continue with the existing legislation and regulations, at least for the time being.

I would like to recommend a third avenue; that of continuing the existing legislation while making certain overdue changes in the regulations, interpretations, and guidelines used to explain and implement the act.

One of the primary concerns to my agency, and to most prime sponsors, is funding. With economic conditions like they are, unemployment at or near alltime highs, especially with that caused by our worst winter in years, present allocations are dreadfully lacking. I would hope that future appropriations would be sufficient to adequately meet this country's growing economic employment and training needs and would, for example, make available funds for prime sponsors to meet emergency type training needs at the local level without having to have Congress pass new legislation.

Funds, for example, to provide for the likes of what has occurred this winter and to meet other special industry needs as may arise from time to time on the local level. For example, in my area we are talking about the mining industry. It is the major lifeline of eastern Kentucky and with the situation over the fuel emergency that now exists, we are going to be in more and more need for the coal produced by the mining industry.

Our records indicate that in the next 20 years, there are going to be some several thousand new miners that have to be employed in this industry. We have funds to do training for the participants, but we need funds for equipment, for new facilities to assist in this training. I would like to see some kind of reserve built into the act whereby prime sponsors would have available to them this kind of funding if emergencies such as have arisen do arise, or if opportunities to meet industry needs come up on a sudden basis.

Along with this, I am extremely concerned with the 90-percent hold-harmless clause as it is applied to prime sponsors funding levels. Again, my issue is not with the act itself. It is good that each prime sponsor is guaranteed at least 90 percent of the funding it had the previous year. But it seems the clause is not always interpreted to mean each one will receive at least 90 percent.

Instead, it is interpreted to mean that we will receive only 90 percent. Each year my staff is told to use 90 percent of the previous year's base as the planning estimate. This is hurting my area.

For example, the fiscal year 1977 funding level for my agency is only 73 percent of what we had in fiscal year 1974. This is not unique just to my prime sponsorship, but has happened throughout the country. The other prime sponsors in Kentucky, Chicago, rural Minnesota, Wisconsin, and many others are all in the same situation. In fact, I have evidence to indicate that 54 such prime sponsors received fiscal year 1977 title I allocations which were smaller than the fiscal year 1976 allocations.

Chairman PERKINS. Mr. Chairman, if the gentleman would yield to me for a moment, the hold harmless provision that he is stressing is most important and I feel very confident that this committee will take care of it, but there is something in your prepared statement that perhaps you may want to expand on, in connection with the discretionary

funding, that is, that your CEP programs have been deprived of participating in certain programs, and I would like for you to make a suggestion along those lines so that we may get some language in the bill.

Mr. OSBORNE. Yes, Mr. Chairman.

I believe I pointed out to the committee—it may be before Mr. Duffy came into the room—that with the funding, we would like to see made available, or in some kind of reserve, discretionary fund, or something, to prime sponsors to meet emergency training needs, emergency training needs brought about by the conditions that we have experienced this winter, for example. Emergency training needs as brought about by new industry locating in the area, or an expansion of a vital industry to this Nation's well-being.

For example, in our area, the mining industry. We have some funds for training in the mining industry, participant obligations. We have very little funds, if any, that we could apply toward additional equipment facilities to do the training in that is needed. And we would like to see some availability of funds in the form of discretionary title for some kind of constructions along with emergency training needs as they may come up.

Chairman PERKINS. Please go ahead with your prepared statement. Excuse me for interrupting.

Mr. OSBORNE. Next year, we will be approximately at 64 percent of that fiscal year 1974 level. Now with increased needs, higher training costs, minimum wage increases, cost of living increases, et cetera, how are we going to meet the training needs in our areas?

At this rate, in a few years, there would not be enough money to operate any kind of program effectively.

Also the basic formula for allocation presents problems. The State receives 50 percent of its funds based on the previous year's allocation, another 37.5 percent of its number of unemployed compared to all States' unemployed, and the final 12.5 percent on the number of low-income adults compared to the number of low-income adults in the United States.

We would recommend that the State funding formula be altered to reflect at least 100 percent of the fiscal year 1974 level and hold that harmless with a provision for providing individual prime sponsors based on need and performances. Also, that the formula give more weight to the number of poor adults.

Further complicating funding problems is the single-year grant concept. Present funding authorization is for 2 years. However, our present program grants are for 1 year.

Prime sponsors need to be allowed to develop a program for the full time for which the funds are authorized. As it is, we must pass up potentially worthwhile training opportunities in order to adhere to program time restrictions. Planned multiyear funding also could allow the prime sponsor to maintain closer contact and provide more comprehensive services for participants, including career exploration, development and advances.

In addition, multiyear funding decreases enrollee discrimination as it now exists in that we cannot serve those enrollees whose chosen vocations or training needs extend beyond the grant period. Administrative time and expense is also reduced in that the number of pro-

gram narratives, planning summaries, budget summaries, et cetera, are likewise reduced.

Another concern that has recently arisen lies with the new title VI regulations. The requirement calling for the use of all excess title VI funds to be used by specific projects poses many different problems. The regulation does not really take into consideration that applicants must have other resources in order to implement most projects, that prior obligations of other resources that may be available to the project applicant, costs, nor the legal constraints that many applicants must abide by to develop projects.

While none of these problems are insurmountable, the present time schedule, we feel, does not permit the level of planning and implementation that this approach deserves.

Further, the new eligibility requirements for title VI, which states that at least 50 percent of all new hires and all of those hired for projects meet the low-income, long-term unemployment criteria, we have found to be too restrictive.

While it is granted that applicants who meet the new criteria should be given preference, the employment opportunities that exist for this type of individual are very limited. An analysis of our area's public service employment needs and appropriate placement agencies indicates a need for individuals of higher skill levels.

We would recommend that the adoption of one set of eligibility criteria which requires only that residents be unemployed for at least 15 days prior to application, but with priority being given to low-income, long-term unemployed, AFDC recipients, veterans, those ineligible for unemployment insurance and so on, all other priority groups established by the Department of Labor and/or the prime sponsor.

We interpret the President's stimulus package and the concerns of Congress to intend rapid employment growth. We feel that the project approach, because of the problems stated earlier, does not readily lend itself to achievement of this goal.

While we find no fault with the project approach, we do feel that immediate employment goals could best be met at this time through making available immediately a portion of the title VI money to be used for employment opportunities and a portion to be reserved for projects to be implemented with sufficient time. Another consideration would be to utilize title VI money for employment opportunities and to create another title with money available for projects.

Present on-job training regulations permit upgrading of OJT participants only if the participants meet the income criteria established by the Office of Management and Budget. If these regulations could be modified to permit upgrading of individuals outside the income guidelines for normal title I activities, we feel this would increase entry level employment opportunities as well as providing significant economic stimulus.

It is our viewpoint that the present regulations discriminate against other employees in the same work classification if they do not meet poverty regulations at the time of the upgrading. This results in no one being afforded the opportunity of being upgraded, thereby rendering the utilization of this section of the law almost useless.

The overall purpose of the act, we feel, is well stated in section 2 and implies that the end result shall lead to maximum employment oppor-

tunities and enhanced self-sufficiency of the participants. Maximum employment opportunities and self-sufficiency are presumed to mean unsubsidized employment opportunities and unsubsidized self-sufficiency.

However, the act, in implementing regulations authorize types of programs that historically have not been intended nor designed to result in unsubsidized employment. As examples: Work experience programs have been purely for income maintenance in areas with an inadequate economic base to absorb the unemployed.

It has not, nor will it ever, produce much of an entree into unsubsidized work.

Two, in-school youth programs are designed only to provide income and work experience for youth to help them stay in school. While this type of program may have future benefits, the immediate end result is not subsidized employment.

No. 3, public service employment programs are designed to provide employment to individuals as well as to provide needed public services in areas of local government which could not otherwise be provided within the local government's budget. Thus, the possibility of transitioning these participants into unsubsidized employment is remote.

It is recommended that each title to the act be amended as to have a specific purpose and that only programs under those titles be authorized that will be compatible with the purpose of the title. As examples, title I could have a training and employment purpose which could exclude any program that did not result in participants entering unsubsidized employment. Another title could have the purpose of providing incentives for youth to stay in school. Another title could be for adult and youth income maintenance only without a provision of ultimate entrance into employment.

Performance standards then should be established for each title which could be compatible with the purposes of the title. We are very concerned that something along the lines of the examples just given take place or that regulations insure that performance reviews be based on the intent and the purpose of each type of program activity regardless of what title it is funded under.

In the past several months considerable attention has been given to performance standards developed at the national level. While we acknowledge that certain standards and indexes are essential we also believe that these should be developed upon an individual prime sponsor basis.

They should not be so restricted as to hinder the prime sponsor from fulfilling its obligation to the purpose and intent of CETA. Performance standards will be developed by the individual prime sponsor in conjunction with their respective regional Department of Labor office.

Such standards should permit maximum local planning and decision-making and would give consideration to the clientele served, the local economic situation, relative innovativeness of the plan itself in that sometimes new untried and unproven methods should not be subjected to the same performance as those in which we have become more comfortable and certain, the geography and demographics of the area, the type of activities set forth in the plan, and the degree to which area needs are met.

Again, I wish to thank you for this opportunity to appear before you. I believe the concerns expressed here are of utmost importance to prime sponsors if they are going to continue to bring the full benefits of CETA to those who are in need of them.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Osborne. I want to commend you on a very excellent statement which outlined some of the shortcomings in the CETA program.

You have made some distinction between some of the things that must be done legislatively and some of those things that can be done by a change of regulations and the interpretation of some of the regulations.

This committee, of course, has before it the problem of possibly acting on the extension of the program in the next few weeks.

Some of the changes which you have suggested, which do affect the time element, such as the funding of the program formula, and some of the changes in the purposes of the different titles cannot be done in that length of time, but may require a much longer period of time before this committee can really handle that problem adequately and in a way that makes some sense.

Would you, in the interim, agree with a simple extension of the program until such time as this and the other relevant committees can make some of the more basic changes based on some of the suggestions that you have made. We still can move ahead and make some of the much needed and long overdue changes administratively if, obviously, we can convince the new administration to do so.

In other words, I am asking you, do you believe that it is necessary to proceed at once to do that with some reasonable haste and concentrate on many of the real, basic changes that must be made subsequent to, let us say, the present fiscal year?

Mr. OSBORNE. Yes, sir, Mr. Chairman. Based on my statement that my belief in CETA legislation as it is now writen is a sound, viable vehicle to get the services to those who are in need of them, I would certainly agree that an extension of what we have, until such a time that we can make proper adjustments in either the act itself, additions or deletions from it, and the adjustments to the regulations, would be acceptable.

This country will be in benefit of the CETA legislation and the vehicle that it offers to implement it.

Mr. HAWKINS. Well, based on that answer, and in view of the fact that probably the most controversial aspect of the present situation goes to the funding of the program, may I ask you not only in connection with your rural subagency but also in connection with your chairmanship of the prime sponsor forum of all of the CETA agencies in Kentucky, whether or not at the present time you feel that the proposed funding as presented by the administration—and we can only go in connection with its public statements, rather than any statement presented to this committee—is, in your opinion, adequate? If not, how many additional slots in connection with the CETA programs that you represent could be reasonably used in an efficient manner in the next few months, were the funding to be made availmanner in the next few months, were the funding to be made available?

Mr. OSBORNE. In relation to the extension of the title VI activities in our area, I feel that the number of slots designated to our area or the funding that has been indicated that will be designated to our area for projects not to be sufficient, by about half, as far as projects are concerned.

I would further indicate my concern is that we need a doubling of our present title VI and title II slots in my area now for just employment opportunities.

We are not going to have that doubling of those PSE slots for just straight employment purposes, not connected with the project type activities. So we would indicate a doubling of presently some 481 PSE slots, a combination of II and VI, in our area designated just for employment opportunities. We can handle twice that many. We are not going to get any in that fashion out of the project activity that comes down.

It is our opinion that because of the constraints that project applicants are going to have imposed upon them, especially in our area of the low economic base, obligations of funds that they would have to put in with the CETA money for projects, that there is going to be a slow startup of project development in our area.

Mr. HAWKINS. Well, assuming the removal of that constraint, how many additional slots do you think you could reasonably use in the next several months?

Mr. OSBORNE. Another 481; a doubling of our present slots.

Mr. HAWKINS. With or without the constraint of the project types that you now have?

Mr. OSBORNE. Without the constraints.

Mr. HAWKINS. Without the constraints.

You are ready to do that? In other words, is there any additional preparation needed if, let us say, next month or the month after that there were suddenly extra slots to be allocated to you? Would you be ready to use them, or would you have to go back to the planning board or to any authority within your governmental structure in order to be able to use them?

Mr. OSBORNE. No, sir, with our present delivery system we feel that we could handle those slots immediately.

Mr. HAWKINS. Now, with respect to the operation of the formula to which you referred, it would appear that the way it is operated in your particular instance, it has constituted actually a phaseout.

You have indicated, as I read the prepared statement, that the 90 percent be interpreted to at least guarantee that full amount, rather than a decreasing amount each year over the previous fiscal year. Now, do you consider that to be a purely administrative problem, or do you feel that also requires some legislative direction and if it were to be administratively interpreted to mean what you think it should mean, would it in any way provide for any inequities in the funding across the country—that is, in relationship to other prime sponsors?

Mr. OSBORNE. The indication that we have is that it is affecting many prime sponsors adversely as far as their funding. In some areas, because of items in the formula giving certain weights to them, it may assist some. There, in my opinion, needs to be a more equitable

solution so that prime sponsor activity in any area is not phased out by our own law.

Mr. HAWKINS. Well, if the formula continues the way it is now it would actually phase you out, would it not?

Mr. OSBORNE. Absolutely.

Mr. HAWKINS. Has there been any indication to you that in this fiscal year ending in September that there will be any adjustment so that you would not be required in any way to decrease the program, but to keep it at its present level?

Mr. OSBORNE. No, sir.

There has been no indication, either this year or in the past 3 fiscal years' fundings that we have received. We are down now some $2 million under the figure that we received in August 1974.

Mr. HAWKINS. Well, one final question, Mr. Osborne.

According to press reports there is some indication that Labor Secretary Marshall is planning some new categorical programs for veterans, youths, and older workers.

Would you give us your opinion on this report which appears to be a return to the categorical program approach?

Mr. OSBORNE. Yes, sir, I will.

We are opposed to returning to a categorical program approach and we do not feel that we need an augmentation of delivery systems any more than we already have on the local operating level. We think the mechanism is sound, it has been in place long enough to—when the adversary is over, for the most part, and we think it ought to be given a chance to be tried before we go back to fragmentation of that system.

Our program activities are such that the indication seems to lend itself toward is that we are going to have to be bidding or competing with each other in some parts of the country and the new program designs may not get anywhere. For example, the youth program is going to be determined or passed out by an agency with the ability to write a program application, it seems. And therefore, some areas are going to be left completely out of this kind of, in my opinion, the scheme of things.

Mr. HAWKINS. Thank you, Mr. Osborne.

Mr. Pursell.

Mr. PURSELL. I was interested in your request for some improvements in the language. I think that is something we can take a look at.

I would also like you to comment on the performance of your present program. You seem to have a national interest in seeing both political parties and others go to zero-base budgeting. Maybe we ought to talk a little bit for a minute on your successes or lack of them, from an objective standpoint—how you feel you proceeded over the short span of the program, where you see those strengths and directly designed to work with the individual improvement of the skills and the purpose of the program initially.

How do you see that overall benefit?

Mr. OSBORNE. We began our operations as a concentrated employment program under the Economic Opportunity Act, and what we felt was taking the program to the people on the grassroots level. We have advanced it toward the CETA implementation in 1974 and in August 1973 and our region as far as Department of Labor regulations, performance reviews are concerned, we were always in the top three or

four in the United States as far as total programs are concerned and first or second as far as a rural program is concerned.

The participants in our program, as far as completion and going into a positive termination setting, either unsubsidized employment or continuation of training or new programs, has always exceeded 65 percent of those who participated in the program.

We find that we are on the short end, sometimes, of serving those individuals who choose a profession or an occupation that requires attendance longer than a program year.

The performance standards that I referred to involved several things, one of which is that you are going to be judged on your output, unsubsidized placement, divided into the total dollars you get, and if you have a comprehensive design to serve the needs that exist in your community, some of your needs are going to be such that they will lend themselves to completing a program that results in an unsubsidized job by the end of 50 weeks or so.

As a result of that kind of thinking and review, it has caused some prime sponsors to shy away from entering into training activities from those kinds of individuals. If we are going to get based on, and refunded on, whether or not we reach a certain cost level for the people we put into jobs, we are not going to provide training to keep the kids in school, we are not going to do the public works type jobs or the older, disabled people who cannot compete in the private labor market.

We are not going to enter into any training that takes longer than we can satisfactorily assess, make the plans, put in the training and complete it within that year's time.

These are some of the constraints that I see that we need to concern ourselves with.

Mr. PURSELL. You are suggesting that performance standards be tied to the individual titles, specific programs. Have you accomplished any performance standards, written up, documented, in your present program that we could look at in terms of the various measures that you have decided is the best judgment of improving the skills of the individual?

Mr. OSBORNE. Yes, sir, we do have performance standards for each of our programs activities—not just title activities, but each component that we develop as a training activity. We develop performance standards to judge ourselves on in that component.

I do not have them with me today, but we do have them for our program.

Mr. PURSELL. I would be interested in a copy of them at a later date.

Mr. OSBORNE. To be sure.

Mr. PURSELL. Thank you. That is all.

Mr. HAWKINS. Thank you, Mr. Pursell.

Mr. LeFante.

Mr. LEFANTE. I have no questions.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. I have no questions.

Mr. HAWKINS. Thank you.

Well, again, Mr. Osborne, I want to thank you for a very excellent presentation. You have been a great help to the committee and we hope to suffer with you for the next few months in trying to work out

some of these difficulties. We certainly want to commend you on the excellent manner in which you performed in your particular State. I can understand the chairman of this committee being so proud of the area and of the people who actually provide the leadership.

Mr. OSBORNE. Thank you.

Mr. HAWKINS. Thank you.

The next witness is Mr. Jon Weintraub, legislative representative of the National Association of Counties, Washington, D.C.

Mr. Weintraub, we are pleased to have you before the committee and we look forward to your testimony.

We do have your prepared statement, and without objection the statement in its entirety will be entered into the record at this point. You may proceed to deal with it as you so desire, hopefully in a summary fashion, but we do not want to put any unusual restraints on you.

Mr. WEINTRAUB. I would be happy to highlight it, and leave time for questions.

Mr. HAWKINS. Thank you.

[The prepared statement of Jon Weintraub follows:]

STATEMENT by

THE NATIONAL ASSOCIATION OF COUNTIES
1735 NEW YORK AVE., N.W., WASHINGTON, D.C. 20006 (202) 785-9577

STATEMENT OF

JON WEINTRAUB

LEGISLATIVE REPRESENTATIVE

ON BEHALF OF

THE NATIONAL ASSOCIATION OF COUNTIES

BEFORE

THE HOUSE SUBCOMMITTEE

ON

EMPLOYMENT OPPORTUNITIES

FEBRUARY 10, 1977

WASHINGTON, D.C.

SUMMARY

1. NACo SUPPORTS A SIMPLE 3-YEAR EXTENSION OF CETA WITH A MINIMUM OF TECHNICAL AMENDMENTS.
2. NACo SUPPORTS THE IMMEDIATE CREATION OF 600,000 ADDITIONAL PUBLIC SERVICE JOBS THROUGH AN IMMEDIATE ONE-SHOT APPROPRIATION.
3. NACo QUESTIONS THE ABILITY OF THE NEW CETA TITLE VI SYSTEM TO HIRE PEOPLE RAPIDLY. SPECIFICALLY, WE FEEL THAT MORE EMPHASIS SHOULD BE PLACED ON TITLE II JOBS IF RAPID HIRING IS A PRIORITY.
4. NACo SUPPORTS A NEW YOUTH TITLE WITHIN CETA WITH A FORMULA ALLOCATION BASED ON NEED SIMILAR TO THE EXISTING TITLE I FORMULA.
5. NACo ABHORS THE RECATEGORIZATION OF PROGRAMS UNDER THE GUISE OF TARGETING. IF DESIRED, FURTHER TARGETING CAN BE ACHIEVED IN CETA WITHOUT RECATEGORIZATION AND SHOULD BE ACCOMPLISHED LEGISLATIVELY.

STATEMENT OF JON WEINTRAUB, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF COUNTIES*, BEFORE THE HOUSE SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, MY NAME IS JON WEINTRAUB. I AM A LEGISLATIVE REPRESENTATIVE WITH THE NATIONAL ASSOCIATION OF COUNTIES. WE ARE HERE TODAY TO ADVISE YOU THAT THE REENACTMENT OF THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT AND WELFARE REFORM ARE THE MAJOR COUNTY PRIORITIES IN THE 95TH CONGRESS. WE FEEL THAT CETA SHOULD BE EXTENDED FOR THREE YEARS WITH A MINIMUM OF TECHNICAL AMENDMENTS. ONE CAN ALWAYS LATER AMEND THE LAW ONCE IT IS EXTENDED, BUT LET'S GIVE IT SOME STAYING POWER NOW.

AS YOU KNOW, MR. CHAIRMAN, COUNTIES ARE THE PRIMARY DELIVERERS OF EMPLOYMENT, TRAINING AND INCOME SUPPORT PROGRAMS IN THIS COUNTRY. IN FISCAL 1977, 41 PERCENT (179) OF THE 439 CETA PRIME SPONSORS ARE SINGLE COUNTIES, WHILE ONLY 15 PERCENT (66) ARE SINGLE CITIES AND 33 PERCENT (146) ARE CONSORTIA, ALMOST ALL OF WHICH INCLUDE ONE OR MORE COUNTIES. THUS, OVER 70 PERCENT OF THE CETA PRIME SPONSORS ARE OR INCLUDE COUNTIES. THIS FIGURE DOES NOT INCLUDE ALL OF THE SMALLER COUNTIES SERVED BY BALANCE OF STATE. THE DATA FOR FISCAL 1976 IS SIMILAR:

TYPE OF PRIME	NUMBER	% OF TOTAL P/S	TOTAL $ (Titles I, II AND VI)	% OF TOTAL $
SINGLE COUNTY	175	40.6	$ 643 m	17.8
CONSORTIUM	135	31.3	966 m	26.7
CITY	66	15.3	708.6 m	19.6
STATE/TERRITORY	50	11.6	1,006 m	27.8
STATEWIDE CONSORTIA	5	1.2	127 m	3.5
GOVERNOR's GRANTS	-	-	165.1 m	4.3
INDIANS	-	-	9.9 m	.3
TOTAL	431	100	3,676 m	100

*The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban and rural counties join together to build effective, responsive county government. The goals of the organization are: to improve county governments; to serve as the national spokesman for county governments; to act as a liaison between the nation's counties and other levels of government; and, to achieve public understanding of the role of counties in the federal system.

BEYOND THEIR CETA RESPONSIBILITIES, TWELVE HUNDRED AND SIXTY-NINE (1,269) COUNTIES IN EIGHTEEN STATES ADMINISTER FEDERAL WELFARE SERVICES AND, AS A RESULT, SERVE FIFTY PERCENT (50%) OF THE AFDC CLIENTS IN THIS COUNTRY.

WE REVIEW THESE STATISTICS AS BACKGROUND TO OUR STATED POLICY: "NACo SUPPORTS THE GOAL THAT ALL ADULT AMERICANS WHO ARE ABLE, WILLING AND SEEKING WORK SHOULD BE GIVEN OPPORTUNITIES FOR USEFUL PAID EMPLOYMENT AT FAIR WAGES." [SECTION 5.17 OF THE AMERICAN COUNTY PLATFORM] WE CANNOT EXPECT TRUE WELFARE REFORM WITHOUT SUFFICIENT JOBS FOR THE "EMPLOYABLES" IN THE WELFARE SYSTEM. CURRENTLY, THERE ARE HARDLY ENOUGH JOBS BEING CREATED TO MEET THE NEEDS OF THE EXPANDING LABOR FORCE (IT INCREASED BY ALMOST 3 MILLION PEOPLE IN 1976), MUCH LESS IMPACT ON THE UNEMPLOYMENT RATE. WE NEED AN OVERALL NATIONAL POLICY GEARED TO PROVIDING JOBS FOR OUR UNEMPLOYED POPULATION.

THE STIMULUS PACKAGE

THE NATIONAL ASSOCIATION OF COUNTIES IS DISAPPOINTED BY THE NUMBER OF JOBS CREATED THROUGH CETA PUBLIC SERVICE EMPLOYMENT IN THE ADMINISTRATION'S STIMULUS PACKAGE. NACo'S EMPLOYMENT STEERING COMMITTEE PASSED A RESOLUTION CALLING ON CONGRESS TO CREATE 600,000 NEW PUBLIC SERVICE JOBS UNDER TITLES II AND VI OF CETA. WE FEEL THAT THIS SHOULD BE DONE IN A ONE-SHOT APPROPRIATION WITH MONEY TO BE EXPENDED OVER THE REMAINDER OF THIS FISCAL YEAR AND NEXT FISCAL YEAR. WE FEEL THAT THIS WILL PUT PRIME SPONSORS ON ALERT THAT THEY HAVE SPECIFIC PROGRAM LEVELS AND DOLLARS, SOMETHING THAT HAS NOT OCCURRED BECAUSE OF THE BRINKSMANSHIP OF APPROPRIATIONS AND DELAY IN TITLE VI REAUTHORIZATION. WITH MONEY AND PEOPLE SHIFTING FROM TITLES II TO VI AND BACK AGAIN, PRIME SPONSORS HAVE HAD TO WASTE TIME SHUFFLING PAPER MAKING THE NECESSARY MODIFICATIONS TO THEIR GRANT PACKAGES.

RAPID CREATION OF 600,000 NEW PUBLIC SERVICE JOBS IS NOT IMPOSSIBLE IF GREATER RELIANCE IS PLACED ON TITLE II. WHILE REALIZING THAT THE ROLE OF THIS SUBCOMMITTEE IS NOT TO MAKE DECISIONS ON THE FUNDING OF EACH TITLE ONCE AUTHORIZED, WE FEEL IT IS IMPORTANT TO POINT OUT THE TITLE II/VI DILEMMA TO THE CONGRESS AT THE EARLIEST POSSIBLE TIME.

PRESIDENT CARTER'S PROGRAM INCLUDES AN INCREASE TO 600,000 PUBLIC SERVICE JOBS UNDER CETA TITLES II AND VI IN FY '77 WITH A FURTHER INCREASE TO 725,000 JOBS BY THE END OF FY '78. IN FY '77 THIS REPRESENTS AN INCREASE OF 240,000 JOBS IN TITLE VI AND 50,000 JOBS IN TITLE II.

THE DEPARTMENT OF LABOR HAS PROJECTED THE FOLLOWING HIRING PATTERN FOR THE 6 MONTH PERIOD OF APRIL 1 TO SEPTEMBER 30, 1977.

APRIL 1 - JUNE 30, 1977

TITLE VI: 55,000 HIRES PER MONTH FOR A TOTAL OF 165,000 NEW HIRES

TITLE II: 10,000-12,000 HIRES PER MONTH FOR A TOTAL OF 35,000 NEW HIRES

A TOTAL OF 200,000 NEW HIRES FROM APRIL 1, 1977-JUNE 30, 1977

JULY - SEPTEMBER 30, 1977

TITLE VI: 25,000 HIRES PER MONTH FOR A TOTAL OF 75,000 NEW HIRES

TITLE II: 5,000 PER MONTH FOR A TOTAL OF 15,000 NEW HIRES

A TOTAL OF 90,000 NEW HIRES FROM JULY 1, 1977-SEPTEMBER 30, 1977

RECENT AMENDMENTS TO TITLE VI CHANGED THE PROGRAM. THERE ARE STRICT CLIENT ELIGIBILITY REQUIREMENTS AND JOBS MUST BE DESIGNED ON A PROJECT BASIS.

AN INSPECTION OF TESTIMONY OFFERED AT CETA OVERSIGHT HEARINGS CONDUCTED BY OUTGOING SUBCOMMITTEE CHAIRMAN, DOMINICK DANIELS (D-NJ), AS WELL AS THE INPUT FROM A VARIETY OF EXPERIENCED COUNTY AND CONSORTIA PRIME SPONSORS OVER THREE YEARS OF CETA LEADS US TO THE FOLLOWING CONCLUSION: THE U.S. EMPLOYMENT SERVICE AND UI SERVICE WILL NOT BE ABLE TO CERTIFY ELIGIBLE CLIENTS UNDER NEW TITLE VI CONDITIONS (P.L. 94-444) FAST ENOUGH TO PROVIDE FOR RAPID HIRING BY PRIME SPONSORS. WHILE NACo IS COMMITTED TO HIRING THOSE MOST IN NEED, AS

EMPHASIZED IN THE NEW TITLE VI AMENDMENTS, WE QUESTION THE ABILITY OF THE TITLE VI SYSTEM TO HIRE PEOPLE QUICKLY. IF THE CLEAR PRIORITY OF THIS ADMINISTRATION IS TO IMPACT THE UNEMPLOYMENT RATE AS QUICKLY AS POSSIBLE THROUGH DIRECT JOB CREATION, THERE SHOULD BE MORE JOBS CREATED UNDER TITLE II OF CETA. OUR PRIME SPONSORS ESTIMATE THAT THEY COULD MOVE FAR MORE QUICKLY TO HIRE PEOPLE UNDER TITLE II OF CETA, WHICH TARGETS FUNDS TO AREAS WITH UNEMPLOYMENT RATES OVER 6.5%, THAN UNDER TITLE VI.

WE ARE PUZZLED BY THE PRESUMPTION THAT SUBSTITUTION MAY OCCUR IF MORE MONEY IS PUT INTO TITLE II OVER TITLE VI. THERE IS A STRONG FEDERAL ROLE UNDER CETA. IF THE DEPARTMENT OF LABOR FEELS THAT SOME PRIME SPONSORS ACT IMPROPERLY, THEY HAVE ADEQUATE ADMINISTRATIVE PROCEDURES WITHIN THE EXISTING LAW AS AMENDED TO TAKE CARE OF THAT PROBLEM. WE ARE CONCERNED THAT THE LABOR DEPARTMENT TENDS TO ADOPT BLANKET NATIONAL POLICY AS A SOLUTION TO PERCEIVED PROBLEMS. IT SHOULD BE DEALING WITH INDIVIDUAL PRIME SPONSORS WHEN AND IF THEY ARE DELIQUENT IN SOME AREA OF PERFORMANCE INSTEAD OF APPLYING A NATIONAL SOLUTION.

TRAINING AND YOUTH PROGRAMMING

WE SUBSCRIBE TO THE NEED FOR FUNDS FOR TRAINING AND TO MEET THE EMPLOYMENT NEEDS OF YOUTH IN THIS COUNTRY. HOWEVER, WE NOTE THAT THIS APPROACH DEALS PRIMARILY WITH THE STRUCTURALLY UNEMPLOYED AND ITS GOALS ARE LONG TERM; THIS SHOULD NOT BE TRULY COUNTED AS DIRECT JOB STIMULUS. WE ARE CONCERNED WITH THE PRESUMPTION THAT YOUTH UNEMPLOYMENT IS PRIMARILY A METROPOLITAN PROBLEM. STATISTICS SHOW THAT TEENAGE POPULATION IS DISTRIBUTED IN SUCH A MANNER THAT THE FEWEST TEENAGERS RESIDE IN METROPOLITAN AREAS. A STUDY BY DIANE WESTCOTT, AN ECONOMIST IN THE OFFICE OF CURRENT EMPLOYMENT ANALYSIS OF THE BUREAU OF LABOR STATISTICS IN THE U.S. DEPARTMENT OF LABOR, PUBLISHED IN THE JULY 1976, MONTHLY LABOR REVIEW, SHOWS THE POPULATION BREAKDOWN IN YOUNG WORKER UNEMPLOYMENT RATE AS RELATED TO THE RATE FOR ALL WORKERS IN ALL THREE GEOGRAPHICAL AREAS.

	TEENAGE POPULATION IN MILLIONS	TEENAGE UNEMPLOYMENT RATE AS A MULTIPLE OF THE OVERALL UNEMPLOYMENT RATE
CENTRAL CITY	4.6	2.6 X
SUBURBAN	6.5	2.3 X
RURAL	5.2	2.2 X

THUS, SIMILARLY LARGE NUMBERS OF UNEMPLOYED YOUTH RESIDE IN SUBURBAN AND RURAL AREAS AS THEY DO IN CENTRAL CITIES. WE PRESENT THESE STATISTICS SINCE IT IS OUR ASSUMPTION THAT THE THIRD BUDGET RESOLUTION WILL TEND TO SHAPE BOTH PROGRAM DELIVERY AND DOLLARS AVAILABLE FOR YOUTH PROGRAMS FOR THE REMAINDER OF THE FISCAL YEAR AND THE NEXT FISCAL YEAR. WE WANT TO GO ON RECORD THAT FUTURE PROGRAMS DESIGNED UNDER THE BROAD-BRUSH AUTHORITY OF TITLE III OF CETA AS REQUESTED IN THE ECONOMIC STIMULUS PROGRAM SHOULD REFLECT THESE DEMOGRAPHIC FACTS AND THE DIVERSE CHARACTERISTICS. THEREFORE, WE RECOMMEND THAT THE DEPARTMENT OF LABOR DISTRIBUTE FUNDS FOR THESE PROGRAMS TO ALL PRIME SPONSORS USING A FORMULA ALLOCATION BASED ON NEED, SUCH AS RELATIVE UNEMPLOYMENT AND POVERTY SIMILAR TO THE TITLE I FORMULA.

OUR RECOMMENDATION WOULD BE TO CREATE A SPECIAL YOUTH TITLE WITHIN CETA WITH A TARGETED ALLOCATION FORMULA.

THE DESIRE TO RE-CATEGORIZE AND TARGET

WE ARE CONCERNED ABOUT THE NEW ADMINISTRATION'S PLAN TO DESIGN A YOUTH PROGRAM UNDER TITLE III DISCRETIONARY AUTHORITY AND PROVIDE COMPETITIVE APPLICATION WITHOUT TARGETING OF FUNDS BY AN ALLOCATION FORMULA BASED ON NEED.

CETA'S THREE GREATEST SUCCESSES STEM FROM: 1) THE LAW'S RECOGNITION THAT A LOCALLY DEFINED PROGRAM DESIGN AND MIX PROVIDES THE BEST SYSTEM OF SERVICES TO THOSE IN NEED; 2) ALLOCATING FUNDS BASED ON A NEEDS FORMULA RATHER THAN WHO "HUSTLED" BEST; AND, 3) PROVIDING ACCESS TO EMPLOYMENT AND TRAINING SERVICES FOR ALL AMERICANS REGARDLESS OF RESIDENCE.

THE TENDENCY TO RE-CATEGORIZE HAS MADE LOCAL COMPREHENSIVE PLANNING DIFFICULT FOR FISCAL '78. IN SOME CASES, CETA PRIME SPONSORS DO NOT KNOW WHAT ACTIVITIES

ARE PLANNED FOR OR EXPENDITURES INCURRED BY CATEGORICAL PROGRAMS IN THEIR JURISDICTIONS, INCLUDING CETA TITLE III PROGRAMS FUNDED BY THE NATIONAL OFFICE OF THE DEPARTMENT OF LABOR. PRIME SPONSORS THEN DEVELOP PLANS BASED ON AN INCOMPLETE INFORMATION BASE WITH RESPECT TO THE CLIENT GROUPS SERVED BY CATEGORICAL PROGRAMS. THIS DOES NOT DO JUSTICE TO PRIME SPONSOR DECISIONS OR, MORE IMPORTANTLY, TO THE TARGET GROUP.

IF TARGETING IS AT ISSUE, SIMPLE TECHNICAL AMENDMENTS WHICH LINK WHO IS TO BE SERVED WITH HOW MONEY IS ALLOCATED SHOULD BE EXPLORED AS POSSIBLE SOLUTIONS. CURRENTLY THERE ARE THREE INCOME CRITERIA WHICH ARE INTERSPERSED AS CRITERIA FOR ALLOCATION METHODOLOGY AND CLIENT ELIGIBILITY. THEY ARE: ECONOMICALLY DISADVANTAGED (DEFINED AS $5500 FOR A FAMILY OF FOUR); LOW INCOME LEVEL [DEFINED AT $7000 WITH RESPECT TO INCOME IN 1969 UPDATED BY THE CONSUMER PRICE INDEX, SECTION 701 (a)(4)]; AND, 70% OF THE BLS LOWER LIVING STANDARD BUDGET (DEFINED FOR AN URBAN FAMILY OF FOUR AT $9588 IN MAY 1976, SEVENTY PERCENT OF WHICH IS $6712).

LOOKING ONLY AT TITLE I FOR A MOMENT THERE ARE TWO EXAMPLES THAT STAND OUT:

I. PERSONS TO BE SERVED VS. ALLOCATION METHODOLOGY

SECTION 2 OF P.L. 93-203 STATES: "IT IS THE PURPOSE OF THIS ACT TO PROVIDE JOB TRAINING AND EMPLOYMENT OPPORTUNITIES FOR ECONOMICALLY DISADVANTAGED, UNEMPLOYED AND UNDEREMPLOYED PERSONS . . ." THE ECONOMICALLY DISADVANTAGED ARE DEFINED IN TERMS OF THE OMB POVERTY LEVEL. IN ADDITION, UNDEREMPLOYED PERSONS ARE DEFINED AS "PERSONS WHO ARE WORKING FULL TIME BUT ARE RECEIVING WAGES BELOW THE POVERTY LEVEL DETERMINED IN ACCORDANCE WITH CRITERIA AS ESTABLISHED BY THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET" [SECTION 701 (a)(11)(B)]. YET TITLE I MONEY IS ALLOCATED BASED ON "THE RELATIVE NUMBER OF ADULTS IN FAMILIES WITH AN ANNUAL INCOME BELOW THE LOW INCOME LEVEL. . ." [SECTION 103(a)(2)(C)]. WE FEEL THAT

IN REDRAFTING CETA THE CONGRESS SHOULD REVIEW THIS DISPARITY SO THAT FUNDS ARE ALLOCATED ON A BASIS CONSISTENT WITH THE CONGRESSIONALLY DETERMINED POPULATION TO BE SERVED.

II. DEFINITION OF UNDEREMPLOYED

THE DEFINITION OF UNDEREMPLOYED, QUOTED ABOVE FROM SECTION 701, MAKES IT VIRTUALLY IMPOSSIBLE TO PROVIDE UPGRADING OPPORTUNITIES FOR THE UNDEREMPLOYED, SINCE FEW OF THE WORKING POOR ACTUALLY RECEIVE WAGES BELOW THE POVERTY LINE. CONGRESSIONAL INTENT SHOULD BE CLARIFIED IN ANY REDRAFTING OF CETA. IF UPGRADING IS EXPECTED TO BE A REAL ACTIVITY, THE DEFINITION SHOULD BE RE-WORKED IN TERMS OF "LOW INCOME" OR THE BUREAU OF LABOR STATISTICS' LOWER LIVING STANDARD BUDGET.

IN THESE TWO EXAMPLES WE EMPHASIZE THAT A CLARIFICATION IN CONGRESSIONAL INTENT IS NEEDED THROUGH LEGISLATION. WE ABHOR THE POSSIBILITY OF A REDEFINITION OF THAT INTENT BY DE FACTO CATEGORICAL TARGETING THROUGH THE ESTABLISHMENT OF A VARIETY PACK OF TITLE III PROGRAMS DESIGNED IN WASHINGTON, D.C., BY LABOR DEPARTMENT STAFF. THIS APPROACH ABROGATES LOCAL DECISION MAKING AUTHORITY IN PROGRAM DESIGN, SO CRUCIAL TO CETA.

HOLD HARMLESS (SEE APPENDICES A AND B)

UNFORTUNATELY SINCE ITS INCEPTION CETA HAS BEEN THE "ONLY GAME IN TOWN." IT WAS PUSHED AND PULLED IN EVERY WAY IMAGINABLE DURING THE WORST ECONOMIC COLLAPSE SINCE THE GREAT DEPRESSION OF THE 1930's. IT WAS UNFORTUNATELY CONFUSED BY SOME AS FISCAL RELIEF FOR HARD PRESSED CITY, COUNTY AND STATE GOVERNMENTS. IT WAS THE ONLY VEHICLE FOR TARGETING FUNDS TO AREAS OF HIGH UNEMPLOYMENT UNTIL THE CONGRESS PASSED THE LOCAL PUBLIC WORKS EMPLOYMENT ACT OF 1976 (P.L. 94-369).

PRIOR TO THE ENACTMENT OF CETA, EMPLOYMENT AND TRAINING FUNDS WERE DISTRIBUTED BASED ON WHO "HUSTLED" BEST FOR CATEGORICAL GRANTS AND FUNDING OF THOSE GRANTS WAS NOT BASED ON NEED AS DEFINED BY UNEMPLOYMENT AND/OR POVERTY.

IN ORDER TO CURB INITIAL LOSSES IN CHANGING SYSTEMS, PRIME SPONSORS WERE GIVEN THE LUXURY OF TWO HOLD HARMLESSES IN TITLE I. FIRST, 50% OF THE ALLOCATION FORMULA IS KEYED TO THE PRIOR YEAR'S ALLOCATION [SECTION 103(a)(2)(A)] AND, IF THAT WAS INSUFFICIENT TO HALT LOSSES, PRIME SPONSORS ARE GUARANTEED 90% OF THE PRIOR YEAR'S ALLOCATION [SECTION 103(f)].

HOUSE AND SENATE CETA CONFEREES THOUGHT THAT THE NECESSITY FOR THE HOLD-HARMLESS PROVISION WOULD PROBABLY DISAPPEAR IN THREE YEARS, SO AT TIME OF REENACTMENT WE COULD BEGIN TO ALLOCATE BASED ON NEED AND NOT PAST HISTORY.

OUR ANALYSIS (SEE APPENDIX A) OF THIS SITUATION SHOWS THAT 16 PRIME SPONSORS GAINED ANYWHERE FROM $139 to $2.3 MILLION IN THEIR FY '77 TITLE I ALLOCATION BECAUSE OF THE HOLD HARMLESS FACTOR. THESE GAINS VARIED FROM 0.02% to 25.5% IN A YEAR WHEN TITLE I FUNDING INCREASED BY $300 MILLION.

ON THE OTHER SIDE OF THE COIN, 22 PRIME SPONSORS LOST FUNDS BY BEING HELD TO 150% OF LAST YEAR'S LEVEL [SECTION 103(a)(4)]. THESE LOSSES VARIED FROM 1% TO 19.4% OF WHAT THEY SHOULD HAVE RECEIVED FROM AN ALLOCATION FORMULA BASED ON NEED (SEE APPENDIX B). THIS SECTION OF THE LAW WAS DESIGNED TO LIMIT INITIAL WINDFALL GAINS.

WE DISAGREE WITH MAYOR GIBSON'S CONCLUSION THAT A 100% HOLD HARMLESS BASED ON FISCAL '77 IS DESIRABLE. WE WOULD URGE HIM TO LOBBY FOR INCREASED FUNDS FOR TITLE I OF CETA IN FISCAL '78. WE FEEL THAT TITLE I HAS BEEN UNDERFUNDED SINCE CETA'S INCEPTION. BY PUTTING INCREASED FUNDS IN TITLE I, THE 90% HOLD HARMLESS ISSUE WILL DISAPPEAR TO THE POINT WHERE THE ALLOCATION OF EMPLOYMENT AND TRAINING FUNDS BASED ON NEED, NOT PAST HISTORY, WILL OCCUR.

Side B

ON THE 150% CEILING ISSUE, WE RECOMMEND THAT SECTION 103(a)(4) BE AMENDED TO APPLY ONLY FOR ONE YEAR FOR EACH NEW PRIME SPONSOR UPON ASSUMPTION OF PRIME SPONSORSHIP.

CETA PERFORMANCE (SEE APPENDIX C)

WITH THE OMB POVERTY CRITERIA IN CETA AS ONLY ONE DEFINITION OF CLIENT ELIGIBILITY, FY '76 DATA SHOWS THAT CETA HAS DONE BETTER THAN THE CATEGORICALS IN SERVING THE ECONOMICALLY DISADVANTAGED WHEN YOU INTEGRATE THE FACT THE PROGRAMS UNDER TITLE I OF THE ECONOMIC OPPORTUNITY ACT OF 1964 MANDATED 100% ECONOMICALLY DISADVANTAGED PARTICIPATION. IN OUR OPINION, A MAJOR CRITERION FOR JUDGING CETA PERFORMANCE IS THE EXTENT TO WHICH PEOPLE ARE SERVED IN RELATION TO THEIR PERCENTAGE IN THE UNEMPLOYED LABOR FORCE, ESPECIALLY THE LONG TERM UNEMPLOYED LABOR FORCE.

LET ME DEPART FROM THE TEXT TO DISCUSS APPENDIX C WITH YOU IN SOME DETAIL.

THANK YOU FOP THIS OPPORTUNITY TO APPEAR BEFORE YOUR SUBCOMMITTEE. WE LOOK FORWARD TO WORKING CLOSELY WITH YOU IN THE FUTURE.

I WOULD BE HAPPY TO ANSWER YOUR QUESTIONS.

Appendix A

NACo

NACo FACT SHEET: LEGISLATION

National Association of Counties
1735 New York Avenue N.W. Washington, D.C. 20006 202 785-9577
Staff Contact: Jon Weintraub

Prime Sponsors Increased to 90% of their FY'76 Allocation

Prime Sponsor	FY 1977 Formula Amount	FY 1977 Adjusted Amount*	Amount Gained	Percent
Balance of Alaska	$2,163,051	$2,180,075	$17,024	.8%
Richmond City, CA	1,138,870	1,164,723	25,853	2.3%
St. Louis City, MO	5,643,812	5,791,176	147,364	2.6%
Texarkana Csrt. TX	725,945	726,084	139	.02%
Duluth, MN	1,208,280	1,395,593	187,313	15.5%
Region III Csrt. MN (7 counties: Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, St. Louis)	1,503,387	1,558,059	54,672	3.6%
South Bend, IN	1,356,832	1,450,491	93,659	6.9%
Gary City, IN	3,266,854	4,101,135	834,281	25.5%
Shawnee Csrt., IL	913,739	1,042,616	128,877	14.1%
East St. Louis City, IL	1,854,508	2,326,166	471,658	25.4%
Chicago City, IL	29,223,838	29,919,108	695,270	2.4%
Chattanooga City, TN	1,435,118	1,587,908	152,790	10.7%
Pittsburgh City, PA	5,919,825	6,519,301	599,476	10.1%
Washington, D.C.	10,213,846	12,548,131	2,334,285	22.9%
Trenton City, NJ	2,037,076	2,490,045	452,969	22.2%
Newark City, NJ	7,384,800	7,946,683	561,883	7.6%
* Exclusive of consortium bonus		Total	$6,757,513	

Appendix B

NACo

NACo FACT SHEET: LEGISLATION

National Association of Counties
1735 New York Avenue N.W. Washington, D.C. 20006 202 785-9577
Staff Contact: Jon Weintraub

Prime Sponsors Reduced
to 150% of their FY'76 Allocation

Prime Sponsor	FY 1977 Formula Amount	FY 1977 Adjusted Amount *	Amount Lost	Percent
Broward Csrt., FL	$6,496,285	$6,222,668	$273,617	4.2%
Lee Co., FL	1,039,896	895,212	144,684	14.0%
Orange/Orlando Csrt., FL	3,084,646	3,039,540	45,106	1.0%
Manatee Co., FL	892,545	849,278	43,267	4.9%
Pasco Co., FL	965,452	785,583	179,869	18.6%
Seminole Co., FL	958,415	942,909	15,506	1.6%
Sarasota Co., FL	1,038,020	866,040	171,980	16.6%
Gaston Co., NC	1,138,458	917,231	221,227	19.4%
Davidson Co., NC	600,393	487,059	113,334	18.9%
Dupage Co., IL	1,364,756	1,136,363	228,393	16.7%
Rockford Csrt., IL	1,534,818	1,459,995	74,823	4.9%
LaPorte Co., IN	536,996	489,408	47,588	8.9%
Ft. Wayne Csrt., IN	2,704,289	2,670,488	33,801	1.2%
Butler Co., OH	1,549,602	1,431,093	118,509	7.7%
Hamilton Co., OH	1,704,423	1,549,463	154,960	9.1%
Canton Csrt., OH	2,543,750	2,481,390	62,360	2.5%
Allen Co., OH	778,312	759,218	19,094	2.5%
Portage Co., OH	835,891	762,861	73,030	8.7%

* Exclusive of consortium bonus

Prime Sponsor	FY 1977 Formula Amount	FY 1977 Adjusted Amount *	Amount Lost	Percent
Pasadena City TX	$344,277	$ 341,330	$ 2,947	.9%
Adams Co., CO	1,123,384	1,092,770	30,614	2.7%
Arapahoe Co., CO	787,657	742,670	44,987	5.7%
Jefferson Co., CO	1,142,049	1,092,326	49,723	4.4%
		Total	$2,149,419	

*Exclusive of consortium bonus

1/6/77

APPENDIX C

Characteristics of Participants in CETA and Other Programs and of the Unemployed Population[1]

[Percent]

Characteristic	Categorical MDTA Class. Trg. Programs	Categorical MDTA OJT Programs	Categorical EOA Programs	PEP	Title I	Title II	Title VI	Total U.S. Unemployed Population	U.S. Pop. Unemployed 15 weeks plus	U.S. Pop. Unemployed 27 weeks plus
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sex:										
Men	66.4	78.2	51.9	72	54.0	62.4	64.9	54.4	60.5	61.5
Women	33.6	21.8	48.1	28	46.0	37.6	35.1	45.6	39.5	38.5
Age:										
Under 22 years[7]	38.8	35.4	75.0	19	57.1	20.8	22.4	46.2	33.9	28.7
22 to 44 years[7]	55.7	48.5	18.5	66	36.3	64.2	63.8	34.4	38.1	39.3
45 years and over	5.5	16.1	6.5	14	6.6	15.0	13.8	19.3	28.1	32.0
Education:										
8 years and under	6.4	8.8	18.7	26	11.8	8.0	8.0	12.9	14.8	14.3
9 to 11 years	28.4	26.6	62.1		42.8	16.9	17.6	28.6	24.3	24.2
12 years and over	65.2	64.7	19.2	74	45.4	75.1	74.4	58.4	60.9	61.6
Economically disadvantaged	62.8	38.2	99.1	38	77.6	44.1	43.8	(2)	(2)	(2)
Race:				60	55.6	65.6	69.0	80.3	80.2	79.5
White[3]	65.2	72.1	49.0	40	37.0	24.3	22.7	19.7	19.8	20.5
Black	28.6	22.0	42.0		1.4 (44.4)	1.5 (34.4)	1.5 (31.0)			
American Indian[4]	6.2	5.9	9.0		6.0	8.6	6.8			
Other[5]										
Spanish American	10.6	11.2	17.6		14.2	11.2	9.9	6.6	6.0	6.1
Limited English-speaking ability[4]	(2)	(2)	(2)	(2)	5.0	3.6	3.2	(2)	(2)	(2)
Veterans:				29	3.4	8.4	8.3	6.9	7.9	(2)
Special Vietnam era[6]	24.8	25.8	7.7	14	7.5	16.3	17.7	8.5	13.0	(2)
Other										

[1]Data on categorical programs are for fiscal 1974, the final year of their operation. Data for PEP are for fiscal years 1972 and 1973. For CETA programs data are for fiscal 1976. U.S. unemployed population data are for calendar 1976.

[2]Not Available.

[3]Includes Spanish-speaking Americans

[4]Special programs for Indians and those with limited English-speaking ability are also part of title III of CETA.

[5]A large portion in this group reflect the non-classification in Puerto Rico by ethnic categories on CETA report forms.

[6]From Indo-China or Korean Theater of Operations from August 1964 to May 1975.

[7]Unemployment data by age groups are not comparable to CETA data. Thus for the unemployed, read "under 24 years" and "25 to 44 years".

STATEMENT OF JON WEINTRAUB, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF COUNTIES, WASHINGTON, D.C.

Mr. WEINTRAUB. First of all, on behalf of my organization, I would like to congratulate you on your assuming the Chair of this subcommittee, and we look forward to working closely with you throughout its deliberations.

My name, again, is Jon Weintraub. I am a legislative representative with the National Association of Counties and we are here today to advise you that the reenactment of the Comprehensive Employment and Training Act, and welfare reform, which we feel are interrelated, are our major priorities in the 95th Congess.

We feel that CETA should be extended for 3 years with a minimum of technical amendments and feel that, if the Congress is interested in changing parts of it, they can always come back and do that once the system is put into place.

While you peruse some of the statistics about county participation in employment and training programs, I would like to point out our basic overall policy, which is part of our American county platform, and that is that NACO supports the goal that all adult Americans who are able, willing and seeking work should be given opportunities for paid employment at fair wages. We cannot expect true welfare reform without sufficient jobs for the employables in the welfare system.

Currently there are hardly enough jobs being created to meet the needs of the expanding labor force, much less impact on the unemployment rate. We need an overall national policy geared to providing jobs for our unemployed population.

Moving onto the stimulus package for a moment, we are disappointed with the number of jobs, created through CETA public service employment in the administration's stimulus package. Our employment steering committee has passed a resolution calling for Congress to create 600,000 new public service jobs under titles II and VI of CETA. We feel that this appropriation should be done in a one-shot manner with money to be extended over the remainder of this fiscal year and the next fiscal year.

Rapid creation of 600,000 new public service jobs is not impossible if a greater reliance is place on title II. While realizing that the role of this subcommittee is not to make decisions on the funding of each title, once authorized, we feel that it is important to point out the title II and VI dilemma to the Congress at the earliest possible time.

I have reviewed here the administration's plan for job creation, and moving on for a moment, title VI—the title VI program was changed at the end of the last session. There are now strict client eligibility requirements and jobs that must be designed on a project basis.

An inspection of testimony offered at CETA oversight hearings conducted by outgoing subcommittee Chairman Dominick Daniels as well as input from a variety of experienced county and consortia prime sponsors over 3 years of CETA leads us to the following conclusions. The U.S. Employment Service and the UI service will not be able to certify eligible clients as fast enough under new title VI conditions to provide for rapid hiring under that program.

While we stand committed to hiring those most in need, as emphasized in the new title VI amendments, we question the ability of the new title VI system to hire people quickly. If it is a clear priority to impact on the unemployment rate as quickly as possible through direct job creation, there should be more jobs created under title II of CETA. Our prime sponsors estimate that they can move far more quickly to hire people under title II of CETA which targets funds to areas with unemployment rates over 6.5 than under title VI—and if I can digress for a moment, in discussions with my peers at the cities and Governor's organizations, they agree with that assessment.

Mr. HAWKINS. Mr. Weintraub, would you clarify that somewhat?

Mr. WEINTRAUB. Surely.

Mr. HAWKINS. Why do you feel that it would be faster and more effective to use title II rather than title VI?

You have indicated that you would target funds to areas with unemployment rates over 6.5, but I am sure that that is not the only reason. Would you give the full explanation of why?

Mr. WEINTRAUB. Surely.

If you take the summer youth program, for example, where youth have to be economically disadvantaged to participate, the standard way of enrolling youth is to let them take a piece of paper home and sign off that their family income is below a certain level.

That is not audit acceptable, if you will, whereas the title VI requirements which require people to have exhausted UI or be unemployed for 15 weeks or more and ineligible for AFDC recipients are all things that can be certified by an auditor.

Therefore, the prime sponsors will not be able to quickly process people into a hiring pattern without getting those lists as who is certified as eligible for fear of audit exceptions.

In addition, the creation of projects and the training of potential project applicants as well as the whole review system will just take longer. Any time you are implementing a new program, there are bound to be bills that you have not figured on that will occur.

Let me propose a possible pattern. If, for example—and we have no prejudice in terms of mix of that new 600,000—but if, for example, you were to create 300,000 jobs under title II and 300,000 jobs under title VI, the primes could immediately move and hire quickly under title II and for the first 2 months, let us say, be gearing up as quickly as possible under title II.

Meanwhile, their staff have been getting the certified folk who are eligible for jobs under title VI and maybe 2 to 2½ months down the road they can start weaving into the title VI program, only you have achieved quick hiring under title II.

All we are suggesting is that given the design, that there ought to be a little different mix in order to achieve rapid hiring.

Mr. HAWKINS. Well, aside from speed, are there any advantages to the project approach and the requirements that to be eligible for the program it is necessary to give some indication of having been a long-time unemployed individual?

Let us assume that we get over the period in which adjustments have to be made. I am not convinced that all of the problems need to be solved within the next 2 or 3 months and that we need to get people just employed rapidly. We have been waiting for 9 years or

longer to try to do something about the problem, and then suddenly we are going to say we have to do something about it in 2 or 3 months.

Let's put aside the question of the expediency of the situation. Are there some desirable features of targeting funds to those most in need? Is there some advantage in making sure that there is not a substitution of persons, or that we prevent layoffs which have been problems in the past through having the project approach to stabilize the situation?

I am not advocating these changes. I realize how they came about. I am not so sure that I agree wholeheartedly with them. I have sort of an open mind about them.

Mr. WEINTRAUB. I think it is very important to put more targeting into who gets public service jobs. If you look at—and I would like to go through that later in my testimony—appendix C in the back, in terms of characteristics for fiscal year 1976 programing as to who has gotten public service jobs under titles II and VI and compare that with prior programing, which I would like to do later, you get some feel for that.

But we are behind the targeting. We think that is important, and that should occur.

If I can go on, I think I can maybe respond here——

Mr. HAWKINS. Yes, would you, and maybe you will cover that point later in your testimony.

Mr. WEINTRAUB. We are puzzled by the presumption that substitution may occur if more money is put into title II over title VI. There is a strong Federal role under CETA. If the Labor Department feels that some prime sponsors have acted improperly, they have adequate administrative procedures within the existing law, as amended, to take care of that problem.

We are concerned that the Labor Department, in the last year or so, has tended to adopt blanket national policy solutions to perceive problems in individual prime sponsors.

We feel, after 3 years of participation in CETA, we have come of age, and that those prime sponsors who are delinquent in some area of performance should be gone after on an individual basis by the Labor Department and blanket national policy should not be substituted as a solution for the ills of individual efforts.

We are moving onto youth for a moment. We are quite concerned with the presumption that youth unemployment is primarily a metropolitan problem. Statistics show that the teenage population is distributed in such a manner that the fewest teenagers reside in metropolitan areas.

A study by Diane Westcott, an economist in the Office of Current Employment Analysis of the Bureau of Labor Statistics in the U.S. Department of Labor, published in July 1976, in the Monthly Labor Review, shows the population work breakdown in young worker unemployment rate as related to the rate for all workers, and if you look at the table and move from those gross population numbers to the fact that that means similarly large labor forces, and then use those multiples which are not extremely different with similar unemployment rates, I think you will agree that there are similarly large numbers of youth who are unemployed that reside through all parts of our country.

We want to go on record that future programs designed under the broad brush authority under title III of CETA, as requested in the

economic stimulus package, should reflect these demographic facts and characteristics. We recommend that the Department of Labor distribute funds for these programs to all prime sponsors using a formula allocation based on need, such as relative unemployment and poverty, similar to the title I formula.

Our recommendation would be to create a special youth title within CETA with a targeted allocation formula based on need.

If I can move on to discuss the tendency that is developing to recategorize in the name of targeting, we are concerned with the new administration's plan to design a youth program under title III discretionary authority and provide competitive application without targeting funds by an allocation formula based on need.

We have only witnessed too recently the fallacy of that approach in the public works allocation. We feel that the three greatest successes of CETA stem from one, the law's recognition that a locally designed program design and mix provides the best system of services for those in need.

Two, allocating funds based on a needs formula rather than who hustled best is another mark of CETA, and three, as opposed to what occurred in the past, providing access to employment training services to all Americans, regardless of where they resided.

If targeting is at issue, simple technical amendments which link who is to be served with how money is allocated, should be explored as possible solutions.

Currently, there are three income criteria which are interspersed as criteria of allocation methodology and client eligibility in CETA. These are economically disadvantaged, the low-income level, and 70 percent of the BLS lower living standard budget.

I would like to cite two examples in title I, if I could, which demonstrates some of the quality of this.

Section 2 of the law, which is the first section, states that it is the purpose of the act to provide job training and employment opportunity for economically disadvantaged, unemployed and underemployed persons. Economically disadvantaged are defined in terms of the OMB poverty level.

In addition, underemployed people are defined as people working full time but receiving wages below the poverty level, yet title I money is allocated based on the relative number of adults in families with an annual income below the low-income level, so on the one hand, we are looking at poverty. On the other hand, we are getting money based on low income.

We feel that in redrafting CETA, the Congress should review this disparity so that funds are allocated on a basis consistent with the congressionally determined population to be served.

The definition of underemployed makes it basically impossible to provide upgrading opportunities for the underemployed since few of the working poor actually receive wages below the poverty line.

Congressional intent, again, should be clarified in redrafting of CETA. If upgrading is expected to be a real activity, the definition should be reworked in terms of low income or lower living standard budget.

We emphasize that a clarification in congressional intent is needed through legislation. We abhor the possibility of a redefinition of that intent by de facto categorical bargaining through the establishment

of a variety pack of title III programs designed in Washington, D.C., by Labor Department staff.

This approach abrogates local decisionmaking authority in program design, which is so crucial to CETA.

I would like to discuss briefly the hold-harmless issue.

Unfortunately, during CETA implementation it was the only game in town. It got pushed and pulled in every way imaginable during the worst economic depression since the 1930's.

It was confused as fiscal relief. It was the only vehicle for targeting funds to high areas of unemployment until the local Public Works Employment Act occurred.

Prior to enactment of CETA, employment and training funds were distributed on the basis of who hustled best for categorical grants and funding of those grants was not based on need.

In order to curb initial loses in changing systems, prime sponsors were given the luxury of two hold harmlesses title I, first, 50 percent of the allocation formula is keyed to the prior year's allocation, and if that is not sufficient to halt losses, prime sponsors are guaranteed 90 percent of their prior year' allocation.

House and Senate CETA conferees thought the necessity for the hold-harmless provision would probably disappear in 3 years so that at the time of reenactment we could begin to allocate, based on need and not on past history.

Our analysis of this situation—and if you could refer to appendix A—shows that 16 prime sponsors gained anywhere from $139 to $2.3 million over what they deserved in their fiscal year 1977 title I formula allocation based on need because of the hold-harmless factor. These gains varied from 0.02 percent to 25.5 percent in a year when title I funding increased $300 million.

On the other side of the coin, to look at the other hold-harmless factor, 22 primes lost funding by being held at 150 percent of last year's level. These losses varied from 1 percent to 19.5 percent from what they should have received from an allocation formula based on need. That is reviewed in appendix B.

This section was designed to limit initial windfall gains.

We disagree with Mayor Gibson's conclusion that 100 percent of hold harmless based on fiscal 1977 is desirable or based on any prior fiscal year. We feel that title I has been underfunded since CETA's inception.

By putting increased funds in title I, the 90-percent hold-harmless issue will disappear to the point where the allocation of employment and training funds based on need, not past history, will occur.

On the 150-percent ceiling issue, we recommend that section 103(a)(4) be amended to apply only for 1 year for each new prime sponsor upon assumption of prime sponsorship.

Looking at CETA performance for a moment, with OMB poverty criteria in CETA as only one definition of client eligibility, fiscal year 1976 data shows that CETA has done better than the categoricals in serving the economically disadvantaged.

When you integrate the fact that programs under title I of the Economic Opportunity Act mandated 100-percent disadvantaged participation, it is our opinion that the major criterion for judging CETA performance is the extent to which people are served in relation

to their percent in the unemployed labor force, especially their percent in the long-term unemployed labor force.

I would like for a moment just to raise a couple of things in relation to that appendix C. First of all, if you look at sex as a relevant characteristic versus percent in the unemployed labor force, you will see that CETA title I has done far better in meeting the needs of unemployed women than the categoricals under MBTE ever did.

Also, the criticism of PEP in underserving the women population, I think, is met fairly well by the title II and VI performance statistics. When you look at the long-term unemployed population, if you compare that 39.5 percent to the 37.6 percent and the same thing for VI; if you look at economically disadvantaged and put aside for a moment the EOA 100-percent mandated participation, CETA title I has done very well.

Also, if you choose to look at ethnic characteristics, again, versus the percent in the unemployed labor force, both short term and long term, whether you look at CETA title I, II, or VI, I think the program has proven successful.

I would like to thank you for this opportunity to speak before your subcommittee, and I look forward to working with you in the future.

I would be happy to answer any questions you have.

Mr. HAWKINS. Thank you, Mr. Weintraub. We want to express the appreciation of the subcommittee for the cooperation which you have always rendered to us in the past, and we certainly look forward to the continuation of your role in some capacity with the subcommittee.

On page 2 of your statement, you indicate that the National Association of Counties has passed a resolution calling for the creation of 600,000 new public-service jobs under titles II and VI.

Mr. WEINTRAUB. Yes, sir.

Mr. HAWKINS. Now, addressing the question to that statement in relationship to the Conference of Mayors and some of the other groups that have likewise recommended an increase, may I ask whether or not this increase is based on some type of a reasonable distribution of the slots among the various ones that have recommended it? In other words, the cities have indicated what amounts to at least more than a doubling of the number of slots in fiscal year 1977.

Mr. WEINTRAUB. This represents a tripling.

Mr. HAWKINS. This represents a——

Mr. WEINTRAUB. A tripling.

Mr. HAWKINS. A tripling.

Mr. WEINTRAUB. If you take the fact that we are at 310,000 and add 600,000 new, we are up to 910,000.

Mr. HAWKINS. Well, that clarifies that phase of it. I am trying to see whether or not you are dipping into the same pot as some of the other groups that are also making the recommendations based on their particular need. The cities have almost indicated that they could use all of the added positions that they recommend.

If that is so, then that would not leave anything for any other group, or for the counties, for example.

Now, on the basis of this tripling of the number recommended, how many of these do you think the counties are in a position in the next few months to actually use themselves?

Mr. WEINTRAUB. I think the best way to figure that—and granted, any figure or proposal by any group tends to be somewhat self-

serving—I think the best way to figure that is to look at the table on page 1 in terms of the relative percentage of distribution of dollars in fiscal year 1976 to all levels of prime sponsors.

Now, that is based on I, II, and VI, but my recollection of the data is that the distribution of II and VI in terms of relative percent by type of prime sponsor is quite similar to those percentages, and I would think that would give you some idea of the percent breakdown.

So what we are saying is essentially since counties make up almost all of the consortia plus counties tend to administer balance of State jobs funds coming through the Governor's office, or through subgrants, we are talking I would suppose, close to 80 percent of those jobs.

Mr. HAWKINS. In other words, 80 percent of the 600,000 recommended could be effectively utilized by the counties and the other groups with which they are identified.

Mr. WEINTRAUB. Right.

Now, this would be both using themselves as well as subcontracting out, and our figures show that that runs approximately 50–50.

Mr. HAWKINS. So what we are really talking about, assuming that the cities have been right in their presentation and that you are right in yours, that even the 600,000 would not be adequate, because if you got 80 percent of the 600,000, you could use them and if the cities got roughly what they have already indicated that they could use, even if you tripled the number of positions, you still would not have actually met substantially the unemployment problem.

Mr. WEINTRAUB. No.

I would recommend that your staff sit down with the Senate Budget Committee staff, who have conducted a survey on all prime sponsors, regardless city, county, consortia, State, by size of jurisdiction. In other words, they have broken out on a computer responses based on size of prime sponsorship, 150,000 to 250,000; 250,000 to 500,000 and et cetera. So they have utilization rates, not only in terms of totals by each title, but totals by size of primes, and that is an independent survey not coming from the mouths of counties, cities, or States that I think might better give your subcommittee and your staff a good indication of the views of the totality of the system.

Mr. HAWKINS. The thing that is confusing is that there is constantly emanating from the new administration the idea it is impossible to somehow get this number of jobs out in this fiscal year without implying some waste of bad management, administrative difficulties, and many other problems.

Now, are you suggesting that this is not so and that you stand ready to use this number of slots were they to be made available?

Mr. WEINTRAUB. I think, you know, our local governments do, but again we made that comment in light of the proposed mix.

We might tend to agree with the position of the administration if all or almost all of the money is poured into the system under a title VI framework.

Our point in our testimony was that we felt more could be created if the mix were different.

Mr. HAWKINS. I really do not know the rationale. The committee intends to get their rationale at some time, possibly next week or so. However, we hear these statements being made and they are not qualified. It is not a question that it is a job that can't be done.

But, when the blanket statement is made that we cannot possibly relieve the situation any faster because it would just be wasting money to try to provide this number of jobs, it just seems to me that we need some better explanation than what heretofore has been given.

I assume what you are saying is that it can be done, with some flexibility.

This is my final question. In the second paragraph of the same page, you indicate a long-range objective of the goal that all adult Americans who are able, willing and seeking work should be given opportunities to have useful paid employment at fair wages and other statements that follow that, concluding with this statement: "We need an overall national policy geared to providing jobs for our unemployed population."

It strikes me that you are approaching very closely the concept of full employment. Have the counties taken any position on the Full Employment and Balanced Growth Act?

Mr. WEINTRAUB. The position we have taken—and this was taken last July, I guess—is what I put forward before you. I would say generally the earlier versions of it, when the Stern committee that is responsible for this area viewed them, were somewhat disappointed with the heavy reliance on the Employment Service. This has now been changed in terms of how the Full Employment Act integrates with CETA.

I think this can be sold as a national policy if you sell it in terms of a need in relation to reforming the welfare system, because one cannot reform the welfare system without adequate jobs. It is as simple as that.

Regardless of what cashouts—whether you are cashing out food stamps or whatever devices you are putting into the mix, unless you begin to create jobs in the economy, one cannot really approach welfare reform, and since counties administer over 50 percent of the AFDC caseload, we are very concerned about welfare reform and the costs. Plus counties also—in your State, for example—have general public assistance which is an additional cost above and beyond their contribution to the regular welfare system.

Mr. HAWKINS. Well, the proposal does envision reform of the welfare system, but making it meaningful in that you cannot reform it unless there are jobs available. The two must interact, and must be related.

So I would assume that the latest version which makes that abundantly clear, I think, meets the criteria that you have just outlined as being a concern of the counties.

Mr. WEINTRAUB. Our steering committee has not had a chance to review it yet. It will be doing so soon and we would be happy to provide you with their deliberations.

Mr. HAWKINS. Thank you.

Mr. Perkins.

Chairman PERKINS. Yes.

We have—let me compliment you on so ably representing the National Association of County Officials. You have done a wonderful job.

No further questions.

Mr. HAWKINS. Thank you, Mr. Perkins.

Mr. Pursell.

Mr. PURSELL. No questions.

Mr. HAWKINS. Mr. LeFante.

Mr. LEFANTE. No questions.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. I have just one question. I am not sure I understand the rationale of your statement where you urge the hold-harmless formula be discontinued.

Do you believe that, in fact, it is not applicable anyplace at all? Do you believe that the——

Mr. WEINTRAUB. We did not say that the hold-harmless formula should be discontinued. What we are urging, we are happy to see the continuation—we bought into the original CETA concept. We are not dissatisfied with the 90-percent hold harmless. We would like to see money being allocated as soon as possible in time by allocation formula that are solely based on need and not based on past history of who hustled best for grants dating back to the categoricals of the early 1970's and late 1960's.

Money was never given out under those based on any needs formula.

So we are not objecting to the existing hold harmless. In fact, we are recommending that more money be added into title I of CETA to do away with any debate over the hold harmless.

Mr. WEISS. On the basis that if you are providing enough money, everybody will be getting so much more that they will not have to apply for the hold harmless formula? Is that the idea?

Mr. WEINTRAUB. That is correct, but that is not our only rationale for more money in title I. We feel that the title I program has been unfortunately made subservient, because again CETA was the only game in town, to bearing the load of the large public service employment program.

And what CETA is basically really about is providing training and employment services to those in need as defined in title I. And we would like to see that beefed up and really made the cornerstone of the manpower delivery system.

Mr. WEISS. Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Weiss.

Again, thank you, Mr. Weintraub. We certainly appreciate your cooperation. We thank you for your presentation before the committee.

The next group of witnesses will be called as a panel and for the purposes of identifying them and introducing the panel, I defer to the chairman of the full committee, Mr. Perkins.

Chairman PERKINS. Thank you very much.

We have with us this morning some county judges who represent some of the highest unemployment areas in the entire Nation. The first one I would like to call is Judge Billy Joe Martin, who is the county judge of Powell County—and I think that he can tell you something about the unemployment situation existing in that county.

They had an application in for a public works project, and I will just mention this in passing. They had the highest unemployment rate in the State, and a neighboring county, and it was known beforehand, got the public works project when the people in charge of the program were talking about computers.

But somewhere along the line, I hope that we will be able to get the information that was fed into that Republican computer.

But notwithstanding, Mr. Martin is here because he is interested in the comprehensive employment and training programs, because the programs as a whole have worked out wonderfully well in the past, and he can tell you the value of it in his own county of Powell.

And I would like to have a gentleman from Elliott County, Gene Binion, to come in and sit by your side, and then you can proceed in your own way.

He is the county superintendent of schools from another county with a high rate of unemployment.

Go ahead, Mr. Martin. Proceed in any manner that you prefer.

Mr. HAWKINS. Judge, may I say that the members of this committee have been watching the chairman of this committee, Mr. Perkins, for a number of years, and he has been so effective and so successful that I thought he had gotten a job for everybody, so it is surprising to me that you have an unemployment problem.

But quite apart from that bit of wit, we certainly welcome you before the subcommittee.

Chairman PERKINS. Go ahead in your own manner.

STATEMENT OF BILLY JOE MARTIN, COUNTY JUDGE, POWELL COUNTY, KY.

Mr. MARTIN. First of all, I would like to brief you on the background of my county which is Powell County, it is in the 53d district. It is caught in between the coal counties and the industrial counties of the blue grass area.

I am in a poverty-stricken county. We have no factory—we only have one factory in this county, which is a small factory. It is a shoe factory.

It is in—the capacity of this factory employs some 300 employees. It operates some 3 to 4 months per year.

Without the CETA program this county would be one of the most disastrous counties that I can find in the State of Kentucky.

I carry at this time some 18.4 unemployment ratio. This CETA program when it first came to my county was some 3 years ago when I was first familiar with it, before that—I was the former Sheriff of Powell County—the county was unable to provide any aid to assist the sheriff's department in any nature as far as the workload was concerned. I spent some 4 years trying to serve approximately 14,000 people.

At that point, in the last year that I was in office, I went into the red some $3,800. The CETA program came along and I was elected judge. We started for the most needy programs that the county could—that could serve the county in the most upright way.

At this time, I have the sheriff's department—I had the entire staff on title II fundings. I have established an emergency dispatcher service for the whole county under a different program. I used title II fundings for this employment.

This program has been a great asset to my county. I have, at this time, some 40 slots that are filled and they are now taxpayers.

The future of this program and the title II works bill is, I understand is some $4 billion. I am trying to serve the public in a courthouse that has been condemned by the State since 1968.

We have no way to upgrade this courthouse due to our revenue. We only have two major taxpayers in this county outside of your individual taxpayers. We have two transmission gas companies which pay approximately $70,000 to $80,000 a year in taxes.

After the school gets a dip, which is the biggest portion of this, it leaves a small portion for the county to operate on.

Due to the lack of funds to keep our road system, for the school system to operate—our school system has been out of session some 6 to 7 weeks at this time.

If this title II, title VI and the public works bill—this is a great package, as far as I can see. It has been reviewed by the Board that has set forth the needs that fits my State and my county and I am in favor of this 100 percent.

Without this, my county would be more, speaking in terms of a white elephant than any nature of things that I can speak for.

Mr. HAWKINS. In other words, it is vital——

Mr. Chairman?

Chairman PERKINS. Let Mr. Binion make his statement, and then we will have questions.

Mr. HAWKINS. We welcome Mr. Binion, superintendent of the schools of Elliott County.

You may proceed.

STATEMENT OF GENE BINION, SUPERINTENDENT OF SCHOOLS, ELLIOTT COUNTY, KY.

Mr. BINION. Thank you, Mr. Chairman.

My name is Gene Binion. I am the superintendent of schools in Elliott County, Ky. I also happen to be chairman this year of the eastern Kentucky concentrated employment program board of directors.

I am here today to urge the extension of the CETA program. I think, as you heard Mr. Osborne testify earlier, CETA is a workable program. I think it allows us leeway at the local level to develop programs that will meet the training needs of people in the area, needy people.

We are concerned, as he has mentioned, about title VI and the way it is being developed for special projects. It would take a great length of time to employ anyone under these conditions because most local governments or local units of governments or prime sponsors at the local level would be unable to develop projects to put people to work in a reasonable amount of time.

We were also concerned about the 90-percent hold harmless as you have heard mentioned by previous witnesses, and our special concern, I guess—especially my concern from the standpoint of being superintendent of schools is that you provide some sort of special training money within the CETA program to allow for special training needs and emergencies.

Now, Mr. Osborne mentioned one of these needs this morning as being the training of mine operators in our particular area. I could give you another example.

The county that I live in only has one manufacturing plant and that plant employs something like 75 people. January and Wood out of Mazle, Ky., operates a plant that manufactures yarn. Some 2 months ago, this plant was burned so all these folks had to go on unemployment. We had no special moneys available within the CETA program to offer training or assistance to these people, to relocate or to retrain for another job, or we do not have the funds to work with another manufacturer who might come into that site and locate.

These are the kinds of things, I think, that you should consider in renewing the CETA program. You should consider making additional monies available for special training projects.

We are also interested in another point that Mr. Osborne made in his testimony and that is the fact that different titles of the program should—the different titles of the program should use different performance standards.

The people who are being trained—for instance, the in-school youth—we operate an in-school youth program—those people should not have to meet the same performance standards as people who are being trained with the ultimate goal of receiving full-time employment.

I would urge you again to consider special funding or special training needs within the CETA program. Thank you.

Mr. HAWKINS. I assume from your testimony that you would favor expansion of the programs, but as to the titles themselves, which of them has proven to be of the greatest use to you in your particular situation?

Mr. BINION. I beg your pardon?

Mr. HAWKINS. Which of the titles do you consider to be the most useful to you and ones that you would expand if you had that opportunity?

Mr. BINION. Well, of course, title I is a very useful title. We are allowed to train many people in that.

The public service titles, title II and title VI, are very useful, but our big concern with title VI is the fact that under the new legislation it is tied to projects or special projects. Our concern is that we will not be able to have people put to work in a very timely manner and that we will not be able to help out with the situation in unemployment as it now stands.

It will take too long to develop those kinds of projects.

Also, I think this is leading toward categorical funding again, because only people who are ready and on board with projects will be funded under those conditions.

Mr. HAWKINS. Of all of them, do you favor greater expansion of the program in this fiscal year, and if so, can you indicate how much need you would have for additional positions, assuming that you would be given greater flexibility to provide the type of training that you indicate.

Mr. BINION. Yes, I think that is a fair statement.

I favor overall expansion of the program. I am sure in our particular area right now, we could use twice as many slots as we presently have. The whole area, with 400,000 people, we only have 481 slots right now in the public service. We could use 1,000 slots easily. We could put those people to work in 2 days.

Mr. HAWKINS. Judge Martin, would you also comment on that particular need?

Mr. MARTIN. Yes, sir.

As I stated, we have some 40 slots that are covered at this time. Under the title VI program which was allocated some 3 to 4 weeks ago that came to our counties, I had some 14 to 15 slots—I believe it was 15 slots—to fill in this.

I had a need—I had at least 1,000 requests for these 14 to 15 jobs that I have available.

I am in favor of the whole bill that has been presented here at this point. There is no more need for this at any time that I can see as of now.

Mr. HAWKINS. Thank you very much.

Mr. Perkins.

Chairman PERKINS. I just want to ask one question.

In other words, you are unable to give your applicants a slot because they are just not there, and the demand for employment then is 10 times the number of slots that you have?

Am I correct in that statement, in your particular county?

Mr. MARTIN. Yes, sir.

Chairman PERKINS. That is, the public service employment slots.

Mr. MARTIN. Yes, sir.

Chairman PERKINS. What would be the ratio in Elliott County and the surrounding counties, Mr. Binion, from the standpoint of slots allocated under titles II and VI?

Mr. BINION. We could easily fill six times as many slots as we have. One of the problems that we have had there for years is the fact that our unemployment rate, as it shows up on the printouts, is really not a true rate. If our unemployment rate shows 6.5, it is more like 20 or 22 percent.

Chairman PERKINS. What does your unemployment rate show in your county, Judge Martin?

Mr. MARTIN. Rephrase the question please?

Chairman PERKINS. Yes, your unemployment rate in Powell County, Ky., what is it now, as shown by the Bureau of Labor Statistics?

Mr. MARTIN. It is 17 percent.

Due to the factory that I stated, there are not—this factory does not stay in operation long enough at one time for the employees in which they employ some 300 people, they do not stay in operation long enough for those people to draw unemployment in certain quarters.

At this time, I have 18.4 unemployed. This is not true in any nature as far as the unemployment ratio in my county. I say that it would be safe in saying it is close to double of the amount that it shows on the statistics.

Chairman PERKINS. I am sure that it is true, and I hope to see that we get a change in the count, and get the true unemployment throughout the country by a better method of gathering the information some time in the future.

In fact, I have requested the General Accounting Office to look into the ways that the present unemployment statistics are arrived at.

But, be that as it may, what plans do you have, Judge Martin, to find employment for these other unemployed people in your county—and you state that there are approximately 1,000 unemployed, other than the Comprehensive Employment and Training Act?

Mr. MARTIN. I have no opportunities; I have nothing to offer them.

Chairman PERKINS. You have nothing to offer.

Mr. MARTIN. This is correct.

Chairman PERKINS. Do you feel that the Congress should go about providing some type of a public works program that could bring some relief in addition to the comprehensive employment and training program, and if we do not do that, will you still have this huge unemployment rate?

Mr. MARTIN. Yes, sir, I will.

Chairman PERKINS. And what is the answer to it, in your judgment, to the high unemployment rate that you have, right around you there, in your county, in addition to the CETA program that you testified to?

Mr. MARTIN. I do not understand—

Chairman PERKINS. Well, I am trying to find out what are your suggestions to relieve this high unemployment rate in your county other than the CETA program that you have testified to, the comprehensive employment and training program.

Mr. MARTIN. We need more public unemployment work programs.

Chairman PERKINS. Do you think the public works program will help the situation?

Mr. MARTIN. Yes, sir, entirely.

Chairman PERKINS. Entirely?

Mr. MARTIN. Yes, sir.

Chairman PERKINS. What would be the nature of the public works that you would need in your particular county?

I know that this is a little off base, but it gives a little more insight to the members on this committee. We will be asked to vote on other measures and other programs that will be sent up here.

Mr. MARTIN. We need a courthouse—which I stated, is condemned. We need water, sewer—I can go on and name many, many needs for this program.

Chairman PERKINS. And you do not have water and sewer to your county to the extent—it is not countywide, by any means?

Mr. MARTIN. No, sir.

Chairman PERKINS. It is very limited, am I correct?

Mr. MARTIN. That is correct.

Chairman PERKINS. And if we do not come along with the public works program where the local communities do not have the resources, we are just procrastinating and the day is going to come when the Government is going to have to do it and it is going to cost much more than it will at the present time.

In fact, we have already procrastinated far too long.

Do you agree with that statement?

Mr. MARTIN. Yes; I would.

Chairman PERKINS. And you feel that a public works program is much better than a little tax rebate here or there, am I correct?

Mr. MARTIN. Yes; I do.

Chairman PERKINS. That is all.

Mr. HAWKINS. Thank you.

Mr. Pursell.

Mr. PURSELL. I would like to ask the good superintendent. I have been observing CETA employees and have taken a personal interest in how they are doing on the job by interviewing them, talking to them and finding out if they are interested in their particular job. I think for the most part they all, and I fully support the CETA program.

One of the comments they have been making though is that these particular school-assigned jobs, where the school system picks up these jobs and fill those slots, particularly the young men that I have talked to who have been out in the warehouse stacking shelves or sweeping the floor are almost lost souls in the system.

It seems to me there ought to be some suggestions by particular people in education. This committee as a combined Education and Labor Committee as a whole where you might be able to offer some suggestions as to where within the educational sector of a given county there could be help extended on a person-to-person, direct one-to-one relationship, that that young man ought to have some integration or some coordination with some particular level of training that he or she might need in order to give them some confidence that they are learning something beyond the stacking of that particular shelf.

I think the young boys and girls that I have talked to, and have casually and informally talked with, would like to see this type of system so they know that there may be a way out of their present position of stacking the shelves, rather than just saying I am on a public job and I like my job and I am paying taxes.

I think I support what the gentleman was saying earlier, but I am looking at other dimensions to help these young people become individuals who would have some real hope for the future, either in the public or in the private sector.

Mr. BINION. I am very happy that you asked me that question. Before I became a school superintendent, I was the community action program director, and I heard this same problem in 1968 from many youth enrollees in the school system.

I started to work on it at that point. Since I have become a school superintendent, I have been able to do more about it.

We use many of our people as teacher aides, for instance. We have a State kindergarten program in Kentucky. We have an experimental program. I think at this point we have about 300 units funded in the State of Kentucky, and we were fortunate enough to secure, for our own system, two of those units.

We also have two Head Start units for 5-year-olds. In each of these programs we use public service employee enrollees as aides.

Now, they also have the option while they are serving, Congressman, as aides, to take night classes from the local university and we have examples of people who have started out as enrollees who have now completed at least 2 years of college.

At one point we ran a rather large teacher aide training program—for us it was large; we had about 15 people involved in it—and some of those people, I believe that one or two of those people have completed college at this point.

But this is over an 8-year period.

Rather than just having people stack books, as you say, or wash dishes, or mop the floor, or menial jobs that really do not provide much training or need too much training, we have tried to integrate the trainees with the other members of our staff to the point where they can work at their capabilities. We have one of our school treasurers at one of our elementary schools who is a public service enrollee. One of our school secretaries is an enrollee.

So we try to use these people in training that will provide them with some skills that they can find a job when they leave there. We also talked to a young mother last week who moved into our school district who had served in another school district in an employment and training program as a teacher aide, so hopefully this kind of thing can be addressed. People realize the need for it, real training within public service employment enrollees.

It can be done.

Mr. PURSELL. Do you have any CETA employees working in the school system, hired in a slot in a warehouse, other than his immediate superintendent or foreman who says, you know, you have to stack so many shelves a day or whatever specific task that he is assigned—is there anybody in the educational part of your system that spends a few minutes or time to encourage and take a look at his levels of skills and try to assess and bring them into the educational system, whether it is that school or a community college or night classes or whatever?

Mr. BINION. We approach that in two different ways.

Our school counselor has responsibility for part of that job. Our adult education program people have responsibility for the other part of that job.

Some of those people, when they become enrollees, have not graduated from high school—several of those people. Our adult education department encourages those folks to enroll in adult education classes so that they can receive the general education development certificate, and some of those people have also enrolled in college after completing that training.

So it is handled by our school counselor and by our adult education department.

Mr. Hawkins. Mr. Weiss.

Mr. WEISS. Mr. Chairman, I would just like, very briefly, to express my appreciation to Judge Martin and Mr. Binion for coming here this morning. Those of us from the urban areas I think have been saying for a long time that it is not just our problem. Urban poverty and rural poverty—unemployment is just as bitter, no matter where they take place.

Your testimony will probably help us and the country and Congress to appreciate that we are talking about a problem that affects all parts of our country.

Thank you, Mr. Chairman.

Mr. HAWKINS. Yes; I think Mr. Weiss made a very excellent point and certainly the Chair wishes to concur in what he said.

Both Judge Martin and Mr. Binion have been a great help to this committee in giving us the picture as it shows up in the more rural sections of our country and we are certainly deeply appreciative of the time that you have taken to do this.

If there are no further questions, the witnesses are dismissed. Thank you again.

The next witness is Mr. Kenneth Young, assistant director of the department of legislation of the AFL–CIO.

Do I understand, Mr. Young, that you do not have a prepared statement?

Mr. YOUNG. That is right, Mr. Chairman. I apologize.

Mr. HAWKINS. Well, as many times as you have appeared before these subcommittees, I am sure you really do not need one. We certainly want to take this opportunity to welcome you and your associates to the subcommittee's hearing this morning. I hope you will identify the others seated at the table with you, for the record. You may proceed to present your testimony to the subcommittee.

Mr. YOUNG. Thank you, Mr. Chairman.

I do apologize for not having the chance to prepare written testimony. I hope you will bear with us.

With me this morning are Mr. Ray Dennison and Mr. Robert McGlotten, legislative representatives to the AFL–CIO.

STATEMENT OF KENNETH YOUNG, ASSISTANT DIRECTOR, DEPARTMENT OF LEGISLATION, AFL–CIO, WASHINGTON, D.C., ACCOMPANIED BY RAY DENNISON AND ROBERT McGLOTTEN, LEGISLATIVE REPRESENTATIVES, AFL–CIO

Mr. YOUNG. I would like to make some general remarks and then Mr. McGlotten will address CETA and Mr. Dennison will discuss some of the problems with proposed tax incentives aimed at increasing employment. And then, of course, we would be glad to answer any questions.

Mr. Chairman, first of all I would like to take this opportunity to congratulate you on your long and untiring efforts to secure enactment of H.R. 50. As you know, the AFL–CIO fully supports this legislation and considers it badly needed.

Today, the January official unemployment figures are 7.3 percent, and that, of course, was computed before the cold spell.

As we look at those figures, we see that one of the reasons that there was an official drop was that 450,000 workers dropped out of the labor force, and it was mentioned a little earlier, I think, that we are in full agreement with Chairman Perkins and the full committee and with yourself—there is no really good way of computing actual unemployment.

We, too, have been calling for an updating and a change in the methods. There is no way, for example, of counting the discouraged workers who want to drop out and do not seek new jobs.

We are convinced—and again, I am talking before the cold spell—that the national unemployment rate was above 10 percent. Going with that, and dealing with the official rates from the Department of Labor, you have an average unemployment of 15½ weeks, you have one in every five unemployed worker is out of work for 27 weeks or more.

Those lucky enough to have had jobs in January earned $3.61 per week less than they made in December, and that is over $15 a month

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less at a time when energy bills and other bills—food bills—are skyrocketing.

Then, of course, there are those who are unemployed—15 percent of the construction industry, even higher for Vietnam veterans aged 20 to 24, still higher for all teenagers, and the horrendous figure that we have for minority teenagers.

So we think there is a crying need for action.

Despite these appalling statistics, Mr. Chairman, many economists in the last administration have been trumpeting the increase in total national employment. Very little, however, has been said about the type of employment.

During the last 3 years, while there was a gain of 2.5 million in nonfarm jobs, most of these jobs were in services, retail trades, and State and local governments.

The goods-producing sectors of the economy are still in a depression and these, of course, are the better paying type jobs.

Construction in the last 3 years lost over half a million jobs. Manufacturing in this country in the last 3 years has lost 1.1 million jobs. Transportation and utilities have lost over 155,000 jobs.

So we have become more and more of a service-oriented society and our workers are losing income and an increasing number of family members are being forced into the labor market.

The household head who losses a manufacturing job and is lucky enough to find a service occupation suffers a real loss of consumer purchasing power, unless other members of his family find work and supplement his or her income.

This, of course, in our opinion has a great deal to do with the vast increase in the number of women who are seeking full- and part-time employment today.

The new President, the congressional leadership and the Budget Committee have recognized these problems and have taken an important and vital step just by working on a third concurrent budget resolution. Obviously, such a resolution is necessary if there is going to be any additional economic stimulus between now and October 1.

I would like to talk, if I could, for just a minute, about that third resolution that was just reported by the House Budget Committee, and yesterday by the Senate Budget Committee.

In the jobs stimulus area, not counting proposed changes in the package, the House committee provided $14.7 billion or approximately three times the President's requested budget authority; and it provided $3.5 billion, or approximately twice the President's request, in outlay.

The committee estimates that its package will produce 1.1 million jobs at an annualized rate—and of course, I am talking about fiscal 1977.

The package itself consists of a mix of jobs—jobs for skilled, the semiskilled, the unskilled and for youth, and through increased budget authority, it seeks to combine both long-range and short-range programs.

But anyone following the new congressional budget process must recognize the need for legislation such as H.R. 50. It just makes no sense to set revenue and outlay figures in a vacuum. Budget resolutions should be determined in a framework of national goals and policies,

and this, of course, is the basic purpose of the Full Employment and Balanced Growth Act.

If H.R. 50 was law the Budget Committee would be preparing resolutions that would conform with established economic policy and aim at bringing unemployment to 3 percent of the adult work force within 4 years. And this, and other substantive committees, would then be preparing legislation within the context of the budget resolution that could translate these goals into reality.

Mr. Chairman, the Members of Congress are now preparing a host of legislative ideas aimed at procuring different types of unemployment. Each bill, whether they range from the so-called quick fix to long-range study is then, of course, dutifully reported and referred to the proper substantative committee.

To us, this is a fragmentary approach that makes no real sense. H.R. 50 would provide the mechanism for a comprehensive umbrella. Just as the committees are now fitted together by the budget process, so can they be combined for a unified solving of our present economic crisis.

Your new subcommittee, Mr. Chairman, has a major role to play in this process. It must deal, obviously, with a conceptual problem, and in the absence of legislation such as H.R. 50, it must also deal with the immediate needs to find jobs, and many jobs.

In this regard, it is the AFL–CIO's conviction that the first task of your subcommittee must be the early reporting of new CETA legislation, and for a discussion of that, Mr. Chairman, I would like to turn to Mr. McGlotten.

Mr. HAWKINS. Thank you very much.

Mr. MCGLOTTEN. Mr. Chairman, and members of the committee, what we are faced with now is what are we going to do about CETA? We recommend a simple extension. A simple extension would give the new Secretary of Labor an opportunity to review CETA in its entirety.

I think there needs to be a review of title I, title II, title III, and title VI—and possibly there may have to be a youth title. But, I think, to try to do that now would be a disaster.

I will give you three reasons.

First of all, if, in fact, the Budget Committee and the administration are willing to increase by 100 percent the number of public service jobs, it is the only game we have in town at this point, and that needs to be done.

The vehicle is there, the prime sponsors are aware of what they need to do for public service employment, how they can put people on jobs immediately.

I would like to take exception with some of the things that are being said about the targeting, in terms of how fast people are being put to work. It seems to me that the prime sponsors would now be putting on paper the kinds of projects they could develop. If you break down the number of jobs that you can create in the next 6 months, which is about 360,000 at approximately 60,000 a month, given the number of prime sponsors, it would be 50,000 per prime sponsor. And if he utilizes the legislation as intended, 10,000 could be created by non-profit-making organizations, which means every prime sponsor would have to create a program of about 115 persons per month and each nonprofit 25 per month. I do not think that is too much to ask the prime sponsors to do.

In terms of certification, there is no problem in finding out whether one has exhausted unemployment compensation. There is a card that is filled out at the unemployment compensation office and that he carries on his person.

One as a recipient of AFDC—he or she also has a credential.

So it seems to me that a lot of questions that are being raised as to how to deal with these people I think—there is not thinking, Mr. Chairman. I think the prime sponsors now can take a look and say what kind of projects have we not engaged in up to now. What can we do in our community to better serve our community.

That could be a 12-month project, and begin to put that on paper.

In addition to that, you are well aware that there is money for summer youth, I think, and also NYC. There is also to be an expansion of the Job Corps. I think that those things should be carried on during this fiscal year.

In addition to that, the President mentioned the other day the new program of hiring dealing with Vietnam veterans which they are going to be using money out of title III for about 97,000 jobs.

At least during this fiscal year and up to next fiscal year, we look at new legislation. A simple 1-year extension would be in order.

So on the one hand, we are putting people to work during this fiscal year, and on the other hand, it gives the Labor Department the opportunity to review the whole, entire CETA process, how it would fit into H.R. 50 and make a meaningful approach to full employment.

Mr. HAWKINS. Mr. Dennison.

Mr. DENNISON. Thank you, Mr. Chairman.

Yesterday, the AFL–CIO appeared before the Ways and Means Committee to express our sentiments on the tax rebate and tax cut side of the stimulus package and I will excerpt somewhat from our statement merely to help complete the AFL–CIO's entire position on the entire stimulus package so this committee will have our views on the tax side, as well as the job of creation side.

The AFL–CIO is opposed to the tax rebate and tax cut measure proposed by the administration. It is our feeling that as an economic stimulus, the administration's tax package is the least effective method, both in the cost per job created and in the number of jobs created for achieving what we and the administration and the Congress and the American people all want, and that is to put Americans back to work.

We told the Ways and Means Committee that we are convinced that direct job creating programs will achieve this goal much more quickly. The tax rebate has the illusion of speed as an economic stimulus, but an analysis of the 1975 rebate has proved that this method is actually slower and less efficient that direct job creation.

The workers we represent know that an additional $50 for each family member is not a substitute for a job. They know a rebate will be eaten up by the extra money this winter will cost them in additional fuel and food prices. And those who have lost their jobs because of the winter weather will not be made whole by a $50 bill per family member.

Rebates will not spur the kind of consumer demand that is necessary to reduce retail inventories, to spur producers into manufacturing more goods in order to put people back to work.

Now the workers we represent would obviously like to pay less in taxes, but they want jobs more than a few dollars in each paycheck for

those fortunate to have jobs. And the proposed tax cut is not a substitute for a tax law that distributes the tax burden equitably.

Our members do not see any real savings in getting a few dollars more a week when the tax laws continue to demand that they pay far more than their share of taxes.

Furthermore, in the stimulus package, those workers whose income is between $10,000 and $20,000 per year who itemize their deductions will not gain anything under this administration proposal. We estimate that nearly half the workers in this income bracket do itemize.

We are especially irate at the proposal to give corporations yet another tax gift. The concept of giving a corporation its pick of tax break—in other words, pick the wage subsidy or tax credit, whichever is the most profitable to you—is galling, to say the least.

Now, we have heard various alibis for this proposal, that corporations need something to make them happy or that this will somehow trickle down into jobs, but the first is a rationalization and the second is untrue.

We also oppose the so-called job creation tax credit which would provide employers with a tax credit of $500 or $1,000 per year per new employee, depending on whose proposal you examine. A job tax credit pays an employer for doing what he would do anyway.

No employer is going to add a worker to his payroll for the 5 percent or 10 percent or even 20 percent of wage cost just to put another worker aboard. Workers are added when customers buy more, and a demand is created.

For example, General Motors in 1976 added 60,000 new workers. At $1,000 per worker, General Motors would have received $60 million from the U.S. Treasury. At the same time, General Motors was announcing a record profit of $3 billion for the past year.

But American Motors, meanwhile, struggling to survive, added no new workers in 1976, so American Motors would have received nothing from the Federal Government, while General Motors would have received a tremendous tax subsidy from the Federal Government.

U.S. consumers made their decisions in these areas. They chose Cutlasses and General Motors projects; they did not choose Gremlins and Pacers and Matadors, so the job credit would have been of no help at all to create new jobs in that area, among those manufacturers.

There are also many questions that are unanswered in this area of the job credit, and we have not been able to get these answers from the committee or the staff. There is no clear understanding how the credit would apply to construction workers, how it would apply to maritime workers, how it would apply to apparel workers. There is 40 percent of the job force that is casual and is constantly changing.

We find that it raises far more questions than it answers, and yet the only reason we hear it being offered is let's try something new, let's try something different, the other proposals have not worked.

We believe that the best way to give the corporations what they need is to provide them customers, and our program—the AFL–CIO's program—would create 2 million more customers because 2 million more people would be working. Merely putting $11.4 billion into rebates and $2.4 billion into corporate goodies is not an answer.

Mr. HAWKINS. Does that conclude the testimony, Mr. Young?

Mr. YOUNG. Yes, Mr. Chairman.

Mr. HAWKINS. Fine.

Mr. Dennison, beginning with one of the statements that you concluded with about the AFL–CIO's program of putting 2 million persons to work, would you break that down as to how that could be accomplished?

Mr. DENNISON. I will let Ken Young do that. He has the total package.

Mr. HAWKINS. In a general way, you do not have to be that specific. But it is a statement that needs some clarification, I think.

Mr. YOUNG. Mr. Chairman, we came forth with that proposal which we considered to be a mix of various types of jobs, and again dealing with primarily a mix of accelerated public works, public service employment and countercyclical aid, and then some other areas.

Let me explain, if I can, for a minute.

With our feeling that accelerated public works obviously helps the private sector to get jobs not only on the projects themselves, you get a great number of jobs in terms of the industries that are spun-off, needed equipment, needed supplies and so forth.

But that only reaches one section of the population, the unemployed population. We supported the proposal of reaching a decent amount of money in countercyclical to take care of the problems of the cities, State and locals in maintaining their present services because of their present loss in revenue, and our feeling that with a sufficient sum in countercyclical, you could avoid the so-called substitution problem that we have had with public service employment.

So the countercyclical could be maintaining present services and you would not have to face the layoff and then the consequent rehiring through CETA II and VI.

And then, of course, we very strongly advocated an increase in public service employment, because we feel that is where you can do the most good for the unskilled and the semiskilled and the long-term unemployed, the people who just cannot get into the private sector today.

And we feel that putting enough in there and providing enough public service jobs—(a) they are needed; (b) they provide work experience—and if we can turn the economy around, then those people can either, on the basis of that training and experience, move into the private sector or into regular public sector jobs.

So that way, we would be reaching various areas.

Then, of course, we also talked about the structural problem of youth where we want funds put in to develop specific programs that will help the youth in this country that are having such a difficult time entering the labor force.

Mr. HAWKINS. I think, Mr. Young, you did touch on it. However, the problem that greatly concerns me, and I think the new administration as well, falls somewhat short on measuring up to at least my own personal expectation in terms of the use of the Federal budget for purposes of achieving certain objectives which all of us seem to be committed to but which we tend to neglect, and the failure to have a specific plan that includes even a lot more than you have touched on this morning and even the AFL–CIO package.

I am sure that you agree with me that there are many places in the budget which can be used not only to serve high priority needs, but also to put people to work in highly desirable activities.

I have in mind—and I think you did make a reference to it—why we do not already have a housing program. We have had 1 year of discussion by candidates running for public office. There certainly needs to be more done in the health field. I think the apprenticeship program, even in my own State, has indicated that several thousand persons could be put to work at once in entry level jobs in the health field to take care of the health needs of people.

We talk about energy and yet we do not have an energy program that seems to serve any particular program or any particular purpose. It actually tends to throw people out of jobs rather than to use them.

We certainly could be moving ahead in antipollution work and in other fields.

It would seem to me that, if we had planned the way we should have, and if we had, as citizens of the country, insisted that candidates, even candidates for the highest office, submit to us during the campaign the plan that they intended to pursue once they became elected to office, that we would have had these plans already developed. We would not be talking about what we cannot do in the next 2 or 3 months, but we would already have a plan which had been approved by the voters and which, in a sense, was a national plan.

I think in the opening statement, I referred to what we are trying to do in H.R. 50 and this would have mandated at least something along this line.

But what I am suggesting is—and I would like to at least get your reaction to it—do you really think that at the present time we are doing much better than we have been doing in the past years? We are still fumbling, it seems to me. We do not have any definitive objective toward which we seem to be moving. We are just coming in again with a lot of piecemeal plans as to what we are going to do for the youth, what we are going to do for the veterans, and what we intend to do for various segments of the population. The crying overall need is to put people to work in useful jobs getting decent wages in a lot of fields, and not just a few limited ones.

Mr. YOUNG. Mr. Chairman, I am in total agreement with you. I do feel guardedly optimistic. I think the new administration is trying to come up with proposals.

As you know, the administration and the Congress are really in a sort of a legislative box, because the first thing that had to be done under congressional processes was to provide for stimulus the rest of this fiscal year and there are deadline dates for that, and clearly the longer you wait for, let us say, the third concurrent resolution, the longer you have to put off a supplemental appropriations bill.

And the House cannot have a supplemental appropriations bill until that resolution clears.

I think that this administration is trying—while we disagree with the degree that they are willing to go on a job creating stimulus—they are trying to combine both activity that can be done and put people back to work between now and October 1, at the start of the new fiscal year, with some planning for fiscal 1978 and the future.

You mentioned housing. Housing, of course, was part of our proposal. I did not mention housing this morning because I think that is a perfect example, that if it had been planned before, we could be moving on it now.

The Budget Committee, for example, the House Budget Committee put in $20 million for budget authority for subsidized housing supplementals. It is my understanding that the administration is going to request $9.6 billion and then HUD will be coming forth with proposals.

Now, there is a case where you are really talking about money in terms of outlays will go over a 40-year period. It has to be started. The actual number of jobs that you are going to get between now and October are probably very, very small, but if we keep saying, well, it is not going to do anything today, so do not touch it, we are never going to get started.

In the same sense, I think if we had had H.R. 50 so that housing was part of the overall plan, then clearly it would have been into place before now and we would not be faced with it.

So I think basically we are saying the same thing, Mr. Chairman.

Mr. HAWKINS. Well, I recognize that we are, but I certainly feel that we should begin building the record, because I hope a year from now we will not be talking the same way about how we do not have the plans and that we need more time and we still have not told the people what the overall economic policy of the Nation is so that we can understand it and know whether we agree or disagree with it and whether it can have the type of cooperation between the Congress and the executive that is needed to follow some overall economic policy.

Well, maybe I am dreaming, but the point is that we are wasting a lot of time I am just wondering whether time has run out on us and a lot of people are going to become dissatisfied. I know a lot of people in my area are becoming dissatisfied and their expectations are not being met. I just wonder how long we are going to go on like this.

Mr. YOUNG. Mr. Chairman, quite frankly, we thought that that was what the election was all about.

Mr. HAWKINS. Well, that was what I thought.

Mr. Sarasin.

Mr. SARASIN. Thank you, Mr. Chairman.

Mr. Young, thank you very much, and your associates, for being here with us this morning.

Let me preface my remarks by observing that I think we, to a large extent, agree as to the scope of the problem and as to some of the solutions. I do not think—what I appear to hear is disagreement on the part of the AFL–CIO and perhaps the feelings I might have are really strong disagreement.

I cannot imagine that you are opposed to a strong private sector in our country.

Mr. DENNISON. We are not.

Mr. SARASIN. I would think that we must be careful to maintain that strong private sector in order to provide the permanent and productive jobs in the future and encourage the investment which must be made now for that sector of the economy to maintain what we have, and also build for the future.

Mr. DENNISON. Well, we certainly agree.

Our concern is that whatever package comes along there must be some goody in it just to please the corporations without really any concern about its impact on the market itself.

For example, in recent years there have been more than $12 billion in investment incentives—$12 billion removed annually from the

Federal revenues in terms of incentives to corporations—and that took the form of increasing investment tax credit and depreciation and matters of that sort, so that we now have done as much, I think, in terms of trying to encourage the expansion of industry and we are now operating—there is disagreement—but certainly something approximating three-fourths of capacity.

So our feeling is that the best way to help industry, to help business in general, to help the private sector, is to provide them with customers and the best way to provide customers is with jobs programs, and that is really our concern with that part of the package. It says let's just put out $2.4 billion out there in some sort of a payroll tax or an addition to the investment tax credit or a new jobs credit program without really examining it in terms of the long-range effect and the long-range stimulus to the private sector—the consuming part of the sector.

Mr. SARASIN. Well, is that not a reduction in taxes that would have to be paid by the private sector? First of all, it is not talking about an outlay, really, but an indirect outlay. It is a refusal to accept income—accept the taxes that would ordinarily be paid by the private sector.

Now, I am sure that is not being buried in a tin can in the backyard and it is not lost to the economy, and it really is not lost to the consumer, because whatever taxes are paid by that business entity has to be passed on as a cost of doing business, so that the consumer pays for that as well. If they cannot pass it on, then we are out of business.

Mr. DENNISON. I guess our argument may be in the size of the profits on one hand—for example, General Motors, this year, a sizable profit, and also the manner in which the distribution takes place. It is obviously not taking place at the lower levels of the income bracket, and that is where we would like to see a bit more tilt made, or at least—and in that sense, we are urgently supporting a total revision of the tax code.

I might just add that in the witnesses thus far before the Ways and Mean Committee, the Chamber of Commerce, the Iron and Steel Institute, General Electric, and Walter Heller have all opposed all or parts of these proposals put forth by the administration.

Mr. SARASIN. There is no question that there is disagreement on at least parts. I cannot imagine that they, on a blanket basis, oppose them, at least as strongly as the AFL–CIO might oppose them.

Let me ask a question concerning CETA. Mr. McGlotten, you mentioned an extension and then you later said 1 year. Is that what you mean, a 1-year extension, or a 2-year extension?

Mr. MCGLOTTEN. No, a 1-year extension.

I think a 1-year extension would give them administration ample time—and the Congress—to review exactly what we need. I think trying to tinker with CETA right now would be a disaster, for two reasons.

If, in fact, this is the only manpower mechanism that we have right now then we should use that and give the administration an opportunity to come forward with something new.

In addition to that, you already have prime sponsors and manpower councils, who are familiar with the mechanism in public service employment and the kind of job it can do. Once we start revitalizing

it or trying to put in a new mechanism, this takes too much time—at least from what we now know is on the books and what has been authorized by both Budget Committees, we know that somewhere in the neighborhood of 600,000 additional people will be employed, and according to CBO's own estimate, for each $1 billion spent in public service employment, the net budget cost after 1 year is about $450 million. That is over half a billion recovered in new revenues and saved in public expenditures.

Mr. SARASIN. Well, before you rely too heavily on CBO's estimates I should point out that there is not universal agreement on the methodology used in arriving at these estimates.

Mr. MCGLOTIN. That is true.

Mr. SARASIN. Let me suggest though that if we are only talking about a 1-year extension, are we really giving the prime sponsors enough time to plan?

I do not disagree that changes will be made, and should be made, in the CETA law, but I am looking at the planning for the youth programs, at planning for job training, at planning for other aspects of it, and I am a little concerned that a year is not enough.

I think we can change the law as we go along, if necessary, but I wonder whether a 2-year extension would not be better.

Mr. MCGLOTIN. I think actually 1 year would be ample, Mr. Sarasin. I think 2 years would just delay what we need to do today. I think 1 year would give us ample time for this administration to come up with some good ideas, and the Congress to come up with some.

Mr. SARASIN. Well, I would not suggest that the Congress would simply say, well, we have taken care of that problem by a 2-year extension; we do not have to worry about it again. I think that—and this committee certainly will continue in the tradition of Dominick Daniels. We have spent a lot of time with the CETA program.

The hearings we held last year, I think, were extremely informative. We traveled the country as well as held many days of hearings here. I think we found great acceptance of the program. There were some problems with aspects of it, but basically it is a good law and it can meet the needs, I think, if it is not overburdened and if we can get back to what CETA was originally intended to be, and that is an education and training act.

Let me ask you if you support the concept of targeting and projects and so forth that came out of the amendments in the last session?

Mr. MCGLOTIN. Yes, because we think that, along with countercyclical which addresses itself to the need of the public employees as far as the services being performed in the city that the city has additional funds to go to to continue those services, that that is one aspect of CETA that we attempted to do in 1974 when we first got title VI. We attempted to do that.

With the targeting last year, what we are now attempting to get at those people who need the jobs the most, those people who can be consumers in the marketplace. That is the most important thing.

You are not going to do anything in the private sector until there is a consumer, there is a demand for a product, there is a supply and demand factor. We have a supply of people, but there is no supply of dollars so that that private businessman can develop the kinds of project.

Nobody is going to make lefthanded widgets if there is not a market for left-handed widgets.

Mr. YOUNG. Mr. Sarasin, if I could, it is our understanding that there is enough discretionary money now in CETA so that the Labor Department can move ahead with proposals dealing—trying to reach the problem of the age 20 to 24 Vietnam veteran and there is also enough discretionary fund so that the Labor Department, under the present law, can also start doing some work trying to reach the youth problem.

It is our feeling that—and I think this was, in effect, carried out by the Budget Committee—that by taking—there is this big argument, as you know, as to how many jobs can be put into place by x date. Again, the CBO has one figure, the House Budget Committee has a figure, the Senate Budget Committee has a figure, the counties have figures, the cities have figures, we have come to the conclusion that nobody really knows how many you can put on.

There is no question in my mind that going through the targeting approach probably does slow down the procedure somewhat. I am still all for the targeting approach. I think that what Mr. McGlotten is saying is that by forward funding, as the Budget Committees are doing, by front loading the Third Concurrent Resolution—I am talking about titles II and VI now and putting everything in there for the rest of fiscal 1977 and 1978 so that you would have enough funds to reach the 725,000 level which is what the administration is talking about next year.

What you are saying to the prime sponsors is you will have the money for 12-month jobs. You do not have to worry about having someone for a month or two and then there is not a supplemental appropriation, there is not a supplemental appropriation, there is not the necessary legislation to fund them when you are facing the horrible political problem of sudden layoffs.

If they are given that assurance, that, too, gives them the leadtime to plan. I think the planning is extremely important and they can do the planning through the project approach and then through the amendments that were passed last year and do the targeting that we think is necessary.

Again, assuming that other parts of the economy are picking up. Then of course, if there are problems and they reach 725,000 earlier than anticipated, the AFL–CIO, if the economy is bad enough, obviously would be supporting an increase.

We are not saying public service employment is the answer to the national economy. We are saying that unless the economy turns around and American is put back to work, there has to be a mechanism for taking care of some of these people and PSE is that mechanism and it is not make-work.

Mr. SARASIN. You mention the political problem of turning people out at the end of the period, and I think that is correctly stated.

How do we turn this around, how do we turn it off, once it is started?

I think jobs programs are a very short-term answer, but I do not view them as the answer for the long-term, and I am very much concerned that the municipalities and the States will rely so heavily on this method of funding that there will be no way to turn it off without

creating a real disaster for the communities. I think we have already seen that with revenue sharing, depending on how the revenue sharing is utilized by the municipality.

There is no way to shut it off, and I have the terrible feeling that we are creating a greater and larger monster who will devour us all before we are through.

Mr. YOUNG. Well, as a matter of fact, Congressman, there has, you know, been a substantial increase in regular public sector jobs. It is the hard-pressed areas that are having the greatest problem, and their revenues are constantly going down.

Forget the problem that they are having now with the winter, which is going to be another—I think it is estimated at $600 million to $700 million. If people are unemployed, if you have all the problems of lost revenue and you have the problems that State and local governments must operate on balanced budgets, there is no alternative for them.

What we are saying is if we can use a mechanism such as H.R. 50 to take a look at the entire economy and to turn the entire economy around through a whole mix, whether it is fiscal policy, or whatever, and build back up toward a full employment economy, then the revenues are going to come back and we think the hard-pressed local governments are going to be in much better shape.

Mr. SARASIN. Well, my area is typical, I think, of that kind of a situation in the heavy manufacturing portions of Connecticut which I represent, at least, it is a portion of my district. We are living in situations and trying to operate out of factories built for a different era. They used to have water wheels plugged into them. They are not efficient places to do business.

We are dealing with high energy costs, high labor costs, and high business taxes in the State.

There is ample encouragement to leave and very little incentive to reinvest in that site, which is one of the reasons I would be concerned that there be no incentive for reinvestment, and I think we will just continue to see the loss of manufacturing jobs in New England, to the Sun Belt, and other parts of the country which may not even be replaced by service jobs.

That has been our experience, but I am not sure that that can continue to take place forever.

Mr. YOUNG. I am sure Mr. Dennison would be glad to discuss with you this problem. It is not just a question of moving to other parts of this country. Some of the provisions in Federal tax law now give you an incentive to move, not only out of Connecticut, but to move overseas, which makes absolutely no sense to us.

Mr. SARASIN. Well, except what we are looking at—it is obviously the export of a great number of jobs because of the competitive position of a particular industry, and it becomes a cheaper vehicle and better for the consumer to be able to get that product from another source.

Mr. DENNISON. I think what Ken is talking about are provisions in the U.S. Tax Code that actually subsidize U.S. companies in going abroad, the provisions of deferral on profits abroad, foreign tax credits, things of this nature, actually provide an incentive to do so.

All of these are in addition to incentives provided in other countries, and tariff barriers, nontariff barriers, provisions of that sort that we do not have in this country.

And the growth of the multinational corporations spurred all of this. So the problems of Connecticut are problems of the entire country and unless we move to those problems in terms of our industrial base and its move out, move out abroad, and then we will not get back to the full employment that we all seek and an erosion and a withering away of public service employment.

Mr. SARASIN. But if we make it less attractive for that investment in this country, are we not continuing that process?

Mr. DENNISON. It depends on what you mean by less attractive for that investment in this country. If it is more attractive abroad—in other words, if a country is told in France that we want you to locate here, and you must locate here if you want to serve the French markets—now we are thinking in France of putting up a factory to manufacture the products that you import, so if you locate here we will not put up that factory.

It does not take the company long to get the message, whether he is in Connecticut or he is in Kentucky or anywhere else.

And so he locates the factory in France and then pretty soon he decides that he can furnish his American market from the French plant rather than from the Connecticut plant.

So it is these kinds of devices that really do not relate to the competitive situation, here, but really the way the international trade game is played, and that is at a heavy cost of jobs in Connecticut and elsewhere.

Mr. SARASIN. I am not sure I would not relate it to the competitive situation. We have industries in my district, for example, that can buy at retail the product that they make, from other manufacturers, cheaper than they can manufacture it there. There is something wrong with that kind of situation.

Mr. DENNISON. Within the United States.

Mr. SARASIN. Within the United States, other domestic manufacturers.

Mr. DENNISON. Well, that is an internal competitive situation——

Mr. SARASIN. They may only be able to compete if they go overseas, and I do not want to see it happen, but economically I can see the reason.

Mr. DENNISON. Many of the job losses in Connecticut have been on a far greater scale than that. For example, the codevelopment of aircraft engines in the common market where the United States has entered into contracts through NATO that, in effect, transfer jobs right out of Connecticut, because they are going to produce those engines in France and elsewhere, and you just cannot solve those problems unless you go to other areas, our trade policy and our international policy.

Mr. SARASIN. Well, that is true, and in that situation, of course, we are looking at our NATO allies who would also like to get a piece of the action.

Mr. DENNISON. Right, but we do not get a piece of their action.

Mr. SARASIN. Well, we do with many of those arms and airplanes and tanks and so forth where there is a sharing. I suppose we cannot blame them either.

It does not help our situation, but I think we can understand that.

I have gone on a long time. Thank you very much, Mr. Chairman and gentlemen.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. You had referred earlier in your testimony, or perhaps in response to a question by the chairman, to the suggestion or proposal to subsidize job creation in the private sector, and I think you cited the General Motors example of 60,000 jobs and $6 million for the creation of jobs, hypothetically a few years ago when, in fact, those jobs were being created not because of any other reasons that, in fact, General Motors needed them at that time.

I would like you to sort of expand on that, particularly in light of the testimony that we heard on Tuesday from the rather unlikely source, to me, Mr. Lovell, the former Assistant Secretary of Manpower under the Nixon administration who took somewhat the same position and had suggested that, to him, that did not seem to be an appropriate way of creating jobs and in fact what it would probably do would be not to build up the private sector, but simply substitute jobs for one sector of our society as coming from that one sector in place of people who currently may be holding those jobs.

I wonder if you would care to expand on that area just a bit.

Mr. DENNISON. Well, that is particularly our concern, and there are many of these bills which are being proposed before the Ways and Means Committee. The one that I cited with the $1,000 tax credit is one.

There are other proposals that would provide targeting wherein the subsidy would be allowed only to new employees who had never worked before, or who have been unemployed anywhere from 26 to 52 weeks.

Now, the motive is excellent. They are trying to get into the heavy unemployment among teenagers in the inner city and the problems of that nature, and we certainly understand the dilemma, but to target a credit that would, in effect, leap over the 8 million or 9 million wage earners who have worked and may be unemployed for less than 26 weeks, attempt to leap over them and employ the teenager or the young person who has never worked before with the subsidy, is the very problem I think that this committee is concerned about in CETA. You want to reach that fellow, but their attempt to jump over him and go that disregards the fact that we have 8 or 9 million heads of families and others out of work at the present time.

Their proposition might have some merit to it if we had a 4-percent unemployment rate or a 3 percent, or something of that nature, but we just find the problems just permeating this concept and the only response we get is we have tried everything else, let's try this one.

But even its strongest supporter—and yesterday we had witnesses from the Senate side coming over here. They admitted that they really could not guarantee that this program would work, and the problem that was mentioned earlier here, a suggestion of waste—I think the chairman brought it up—there is a suggestion from the administration that if we move ahead too quickly on these job creation programs that somehow there will be a tremendous waste.

There seems to be a disregard of the tremendous built-in waste that would come with this particular concept. The General Motors illustration, for example, is a tremendous waste. There is no answer to what

happens to construction. Construction companies are incorporated, they do a job and they lay off their people and another construction company comes along and gets a contract and hires those same workers and they do the work over there, and in this case there would be a credit paid in every one of those situations.

In maritime, in many instances every voyage is a new corporation. The employees are laid off, they go to a hiring hall, a new corporation is established for one voyage. The employees come down for one voyage and make the trip. They would all get the credit, for doing exactly what they are doing now.

In the needle trades, everyone knows the equipment very often is rented and they set up a shop for one particular season, one particular line of apparel. They have a contract from Bloomingdale's or something, so they are going to make a line of clothing.

They hire the workers, they put them to work, they finish it, they lay them off, the corporation goes out of business until the next season comes along. They would all get the credit.

It is these kinds of problems, and the magnitude of it, and they are saying in effect, well, it is $2.4 billion, let us give it a try. It is a new loophole, and once it is in the tax code they will never admit it was a failure.

They will come back and say it did not work last time because of this or of that, what we have to do is play with it again.

We saw this happened in the WIN program where they are supposed to be paying tax credits for the employment of welfare recipients. In the ultimate, that program was a failure, but that was a failure because of Labor Department bureaucracy and redtape and all kinds of other reasons.

So this is the reason we feel more strongly about it, and as I indicated to Mr. Sarasin, there is really very little support for it on the corporate side, and in the academic world.

But I am afraid it is going to fly.

Mr. WEISS. Well, I hope that, with some of the testimony that we are developing here, from you and from the people on the corporate side, perhaps those who proposed the program will be in favor of taking a separate look at what they propose.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Weiss.

I certainly wish to thank the witnesses, Mr. Dennison and Mr. Young and Mr. McGlotten for their testimony this morning.

If there are no further questions at this time, we will dismiss the witnesses with our usual expression of appreciation. I think they have done a very excellent job and we are certainly appreciative of this.

Mr. YOUNG. Thank you.

Mr. HAWKINS. The next witness is Dr. Gar Alperovitz, codirector of the Exploratory Project for Economic Alternatives.

Dr. Alperovitz, we appreciate you appearing before the committee today and we look forward to your testimony.

Mr. ALPEROVITZ. Thank you, Mr. Chairman.

Mr. HAWKINS. The prepared statement will be printed in the record in its entirety at this point, and I can see that you are prepared to give us the highlights of it. Please go ahead.

[The prepared statement of Dr. Gar Alperovitz follows:]

PREPARED STATEMENT OF DR. GAR ALPEROVITZ, CO-DIRECTOR, EXPLORATORY PROJECT FOR ECONOMIC ALTERNATIVES

The extent to which we as a nation have lost perspective on economic issues is revealed by three rather dramatic facts: (1) there is very strong agreement that, given the enormous slack in the U.S. economy, even a substantially larger stimulus package than that proposed by President Carter would not be likely to generate serious inflationary pressure—yet this is lost sight of in the vast majority of public discussions of the issue; (2) moreover, in an economy which will approach $1.85 trillion, the relative scale of the stimulus package being proposed is small when compared even with the recommendations of conservative economists—and extremely modest when compared with what was not considered exceptional during the Kennedy-Johnson period; (3) finally, while a rather tepid debate continues on whether a few billion more should or should not be added to a $15 billion per year package in an economy experiencing 7.9 percent unemployment, we seem to have forgotten completely that it was thought appropriate to use almost three times this relative weight of effort in the Kennedy-Johnson period when employment was only 5.2 percent.

A broader view of our economic problems and possibilities would begin with a more historically grounded sense of proportions. It would include a positive attack on inflation related issues, rather than a passive aquiescence in structural and other sources of price rigidity. It might also aim simultaneously to meet unfilled social needs and begin to deal with such deeper issues as conservation and local citizen participation.

GENERAL

In an economy which is experiencing 7.9 percent unemployment by official statistics (and probably 10 percent if all those who would like to work full time but cannot find full time jobs are included); and at a time when we are running at very low levels of capacity utilization in most industries, it is absurd to argue that serious efforts to provide decent jobs over the next two years are likely to be the primary cause of significant inflation. Inflation can be a problem—but it is not the overriding problem now nor is it the dominant issue facing us in 1977.

Nor for that matter, if we adopt appropriate approaches both to job creation and inflation reduction, need it be a major concern as we move towards higher levels of full employment. Charles Schultze, the new Chairman of the Council of Economic Advisers, recently pointed out that most current inflation is the result of past "momentum" and has little to do with job stimulation efforts; he has repeatedly stated his view that a 5½ percent unemployment rate is achievable without unbearable inflation. President Carter has stated that his goal is 4 percent unemployment; and a very significant part of the Congress urged a 3 percent adult target in the first version of the Humphrey-Hawkins legislation, a goal also stated in the Democratic Platform. Many European nations and Japan have maintained 2 percent unemployment levels for sustained periods without significant inflation.

SOURCES OF RECENT UNUSUAL INFLATION

Most expert observers understand that although there are many causes of inflation in general, the major source of recent unusually high levels of inflation has not been the pressure of stimulation or pressure on employment, but rather special circumstances related to severe increases in food and energy prices over the last four years. Food prices inreased 48 perent in the period 1972–1976; energy prices went up 64 percent for gasoline and motor oil, 119 percent for fuel oil and coal in the period January 1973–November 1976. Both these extraordinary shifts were caused virtually entirely by unusual world political and weather conditions. Although there may be some energy and food price increases in the coming years, in neither case is there likely to be anything like the staggering jolt experienced over the last four years. Thus the two major causes of unusual inflation are likely to be substantially moderated over the coming period.

Moreover, as the research of Secretary of Labor Marshall and others has suggested, carefully designed and sharply focussed job creation measures can reduce unemployment in the so-called "secondary labor markets" without significantly increasing pressure against wages in other markets. Especially given the enormous slack in the economy, and in the secondary labor markets, job creation efforts targeted at specific populations and specific groups are not likely to

intensify wage inflation unless we reach extremely high levels of full employment—a situation, unfortunately, that is not likely to occur over the next two to three years. Sources of longer term inflation, as we shall discuss, require quite specific new programmatic efforts.

SCALE OF STIMULUS PACKAGE

Some observers have argued that a stimulus package much larger than the proposed $15 billion per year for two years would be inherently inflationary. They have criticized a $30 billion one year package proposed by the AFL–CIO and a number of Congressmen. Though issues of implementation do need to be clarified, criticism related to so-called inherent inflationary impact has little basis in reality; it is often simply an oversimplified, knee-jerk reaction to obsolete rhetoric about excessive spending. It also apparently represents political fears that the business community might lose confidence in the Carter Administration. Even Paul McCracken, President Nixon's conservative Council of Economic Advisers' Chairman, has proposed a $24 billion stimulus package.

The fact is that even a one year $30 billion effort, as measured against an economy which it is estimated will be over $1.85 trillion in 1977, would be a far smaller percentage effort than the stimulation created in the Kennedy-Johnson effort of 1964 and 1965:

The 1964 tax cut of $8.3 billion amounted to 1.31 percent of a $635 billion GNP. The $15.2 billion 1965 cut amounted to fully 2.21 percent of a $688 billion GNP. The newly proposed $15 billion package measured against a projected GNP of roughly $1.85 trillion amounts to a relative impact of a mere .81 percent, only a bit over a third the impact of the 1965 stimulus. Even if the proposed $15 billion package for two years were doubled to $30 billion for two successive years, the first $30 billion would be less, relatively, than the 1965 stimulus—and the second $30 billion would be measured against a still larger GNP, and would accordingly amount to a still smaller relative economic "kick". In fact, it would require roughly $37–$40 billion in stimulus to equal the 1965 ratios in today's economy, and more still in 1978.

To be sure these are rough estimates, and issues of business confidence as distinct from purely economic factors are also involved. Yet these are often exaggerated, and it is important to remember that the levels of unemployment of the Kennedy-Johnson period—5.2 percent in 1964 and 4.5 percent in 1965—are extremely low as compared with our current 7.9 percent; this too suggests the potential for increasing jobs without excessive inflation. Moreover, serious stimulation of the economy will generate tax revenues to offset both excessive purchasing power and fiscal costs.

Thus even a two year absolute figure of $30 billion would be relatively modest both when compared with the history of the Kennedy-Johnson stimulation efforts —and with the GNP. Criticism of more substantial expenditures as inherently excessive simply has little grounding in the available evidence. From this perspective, finally, the current Carter Administration position that it is wise to start small and maintain flexibility—though superficially plausible as a generality—serves in an economy experiencing 7.9 percent unemployment, mainly to mask the extremely modest nature of the 'starting point', at the same time it permits continued suffering of the prolonged level of high unemployment it will entail.

WASTEFULNESS OF THE PACKAGE

The economic and human wastefulness of the present package is dramatized by the fact that even before the cold weather/energy crisis its first year impact was likely to alter the unemployment rate by a mere .5 percent. Now, even this low impact level will be cut by perhaps 50 percent. Moreover, the principal 1977 method—distributing $50 tax rebates to most citizens, except the very poor—is extremely inefficient: The Congressional Budget Office calculates that less than 20 percent of the cost of tax rebates will be recovered in tax revenues by 1978. This compares with roughly two-thirds cost recovery in many public service employment programs. In these, the initial cost is offset, first, when an individual is removed from welfare or unemployment roles; second when that person begins to pay taxes; third when the secondary impact of the person's spending works its way through the economy, stimulating other employment and other taxes. (The small investment tax credit proposed is even more inefficient, as conservative economists have pointed out: It is too small to stimulate much new activity and is likely simply to be a windfall to most who receive

it.) Finally, generalized stimulus programs simply contribute to general undirected economic growth even when they work—with attendant energy and other resource wastage. They often exacerbate unemployment in depressed areas, central cities, etc.

It is sometimes argued that there would be administrative inefficiencies were an attempt made to rapidly implement larger scale, and more specifically focussed, direct jobs programs. There is obviously some truth to this claim, but such inefficiencies must be set against the waste of continued unemployment, the inefficiency of tax rebates in general, and the fact, finally, that direct job programs also produce services of value in exchange for public funds, whereas tax rebates do not. It is estimated that roughly 150,000 nurses' aides are needed simply to bring the nation's lowest standard hospitals up to the national average, and 500,000 teacher's aides to lower the teacher-pupil ratios in those schools with the largest class sizes to optimum levels. One top White House aide has acknowledged that HEW Secretary Califano made several specific recommendations for the stimulus package in health and education areas which were not accepted.

The issue, in short, of the relative efficiency of alternative programs must be considered in its broadest dimensions. The present strategy relies initially primarily on general tax rebates on the theory that these will stimulate the economy quickly. There is much skepticism about the data upon which this claim is made; several experts believe tax rebates are saved or used to pay old bills for a substantial period. (The Administration relies on some studies which indicate saving may only last three to four months.) But in a larger sense, it is not disputed that a decision has been made to separate the goals of the stimulus package from broader public goals, and this separation has its larger costs. An alternative course might have integrated public service, conservation, tax reform and other programs with the need for quick stimulus. If a commitment for very substantial funding over two years were made now, the issue of quick impact might be resolved as stimulative business investment decisions were made, now, on the basis of that commitment—even if the administrative phasing of spending started slowly and built steadily to larger levels.

The present strategy may thus err in several specific ways: (1) Its scale is inadequate economically; (2) It generally allocates the stimulus in a wasteful manner; (3) Its allocation for tax rebates make it politically difficult to spend additional funds later for needed programs; (4) Finally, since it is all but certain to be inadequate, (as several officials have indicated) we may well be faced with the urgent need for another 'quick' stimulus later this year, and once again asked to spend resources on 'quick' tax programs. While some of these shortcomings may derive from political calculations, in fact, the package may also turn out to be politically inadequate: in catering to business "psychological" fears (both by setting a rough $15 billion scale limit and by choosing tax rebates rather than social programs), it may prove to do so little about real economic problems as to contribute to business uncertainty and thereby hinder investment decisions at the same time continued unemployment will cause general public discontent. In short it's basic impulses may repeat the economic errors which, in their failure to deal with underlying problems, ultimately probably cost Gerald Ford the election.

ATTACKING INFLATION DIRECTLY

It is clear that a larger and more focussed stimulus package is both possible and necessary. In this connection, of course, inflation is a problem which can occur as we move towards serious levels of full employment, but it should in no way be viewed as an immediate obstacle to serious jobs programs. Moreover, the answer to inflation should not be immoral efforts which slow down the growth of the entire economy and keep millions of people in misery. Rather it should be a multifaceted, and sharply targeted attempt to get at the several specific sources of inflation—and to move steadily toward the reduction of inflation in specific areas even as we move towards full employment.

To this end, over the coming year and a half—and simultaneously as we move toward serious levels of employment through job stimulation efforts—it would be appropriate to undertake:

A major effort to end collusion, administered prices, oligopoly pricing, and monopoly practices.

A major effort to end excessive middleman costs and wastes in such industries as agriculture and food production and distribution.

A major effort to move seriously towards reducing waste and excessive costs in health construction, administration and pricing practices.

A serious effort to alter the excessive interest, land inflation, and other non-labor as well as labor costs of housing.

Additionally, specific job targeting should be done in such a way as to stabilize jobs in central cities and other areas experiencing high unemployment. This can help undercut a further source of pressure on the family budget which is experienced in much the same way as inflation; excessive property taxes caused both by poor economic conditions in specific cities and by high social costs due to unemployment. Job creation efforts focused in specific communities which reduce social costs and raise the tax base can permit a slowing or even reduction in local taxes.

Finally, and more generally, over the coming period the new Administration should launch an effort to substantially stabilize the prices of the specific items which constitute the four basic necessities of life for most American families—housing, food, basic energy and medical care. It is here that generalized inflation hits home. These four items alone amount to 70–75 percent of most family consumption expenditures. In each of the four basic areas job creation measures have little relationship to specific inflation issues, nor are labor costs the primary source of inflation.

In housing—land, interest, utility and tax costs are the basic factors raising monthly mortgage or rental costs. Average monthly new housing costs rose roughly 300 percent over the period 1955–1975. Mortgage payments went up over 330 percent; real estate taxes more than 340 percent. Although labor costs also rose, in recent years they have actually fallen as a percentage of initial construction costs; labor in fact now comprises only 15 percent of new construction costs. As a percentage of monthly costs, given the rapid rise in mortgage, tax and utility costs, labor's share has fallen still further.

In food—and, most obviously, energy—labor is not the overriding factor. Only in medical care—a small percentage of the family budget—is labor a significant factor, and even here the elimination of administrative and other wasteful practices can reduce costs.

There is no need, in short, to be passive about inflation, nor to accept it as if it were a natural law of economics. An aggressive Presidential initiatve aimed at substantially stabilizing the costs of the basic necessities could be politically popular and economically effective. It could also deal equitably with some of the most fundamental issues facing the nation, and do so in ways which help us break out of outworn political categories.

Numerous specific programs in each of the four basic areas have been advanced over recent years to provide services at decent prices and help stabilize the cost paid by the individual family. A careful phasing and integration of various efforts to steadily increase supply and reduce wastes, and to substantially stabilize prices for different income groups, could be the basis of a serious four year anti-inflation program which would deal with the fundamental expenditures of the vast majority of Americans. At very high levels of full employment wage-price guidelines and social contracts might possibly have to be considered, but there is a great deal that should be done first in connection with each of the above before such approaches, which now dominate public discussions, should be resorted to.

From this broad perspective, therefore, although many possible stimulus packages can be designed, the most obvious failing of the Carter mix concerns housing. A primary immediate focus of a serious effort both to deal with inflation and jobs should be the acceleration of programs to increase the supply of housing at decent prices for low and middle income groups; such programs can provide immediate jobs at relatively low public cost and reduce inflation in an item which constitutes 20 to 25 percent of most family budgets. Properly designed, moreover, they could also help conserve energy through insulation, heat re-cycling, and careful location planning done by institutions of local citizen and neighborhood participation. Quick hitting weatherization and repair programs in low income neighborhoods should be instituted immediately, and an early commitment should also be made to longer lead-time new construction authorizations.

To suggest that we should reduce the inherent wastage of "quick" programs, that we should integrate our economic strategies, and that we should develop coordinated efforts based on publicly decided national priorities is to point out that in the most fundamental sense we must begin to plan more intelligently if we are to deal with the difficult economic issues confronting us. The very

fact that we have been forced to consider the relative merits of urgent stimulus packages should make us reflect on the shortcomings of any "crisis management" approach—and, hopefully, stimulate us to undertake a careful study of alternative forms of citizen-based economic planning.

STATEMENT OF DR. GAR ALPEROVITZ, CODIRECTOR, THE EXPLORATORY PROJECT FOR ECONOMIC ALTERNATIVES, WASHINGTON, D.C.

Mr. ALPEROVITZ. Actually, Mr. Chairman, I would be delighted to answer questions on the prepared testimony. I have had some conversations with the staff of the committee, and in light of some of the other testimony this morning, I think it might perhaps be most useful if I reviewed some of the broader issues that we think underlie the current crisis, and suggest directions for solutions. I will also speak to the larger issues of general planning that H.R. 50 and other essential legislation have addressed.

So let me just make several points that I have jotted down this morning, and then perhaps I can answer questions and talk about some of the other issues in the testimony itself.

The first broad point I would like to make relates to the debate about the quickness and efficiency of the various proposals being discussed. It seems to me that one has to acknowledge that some of the quick-hitting public service jobs—were we really to make a big push on them, a much larger push than has been envisioned by the administration—would entail some inefficiencies, especially if we were to accelerate and step up the job creation process.

But I would stress that the question of efficiency is always a relative question. We have heard almost no comparisons with the extreme inefficiency of the administration's package and its very great wastefulness, yet this is in fact acknowledged on all sides: There is some debate about the CBO estimates of the relative costs of tax cuts versus public service employment for specific job creation, but there is very little doubt that it is much, much more wasteful per job on anybody's estimate to use the tax rebate system than direct job creation measures.

If we were to step up specific programs now, CETA and others, we might have some losses, some jobs that could be better done other ways. Yet in comparison with what we are doing with the $11.4 billion rebate, where there is a very, very high order of inefficiency, we would lose only a little in terms of the efficiencies.

This is saying nothing, of course, about our continued willingness to allow this economy to maintain its excessive, very high levels of waste and inefficiency in unemployment.

So the first broad point is that I would urge strongly that in discussing the efficiency and waste problem that relative efficiencies be compared, rather than simply the notion that there might be some job loss and some waste were we to step up CETA and other programs.

The second broad point that I would like to talk about, and which I think underlies a much, much deeper view of why we need legislation like H.R. 50, is that the kind of programs that we now see—particularly the administration package—are admittedly quick hit, crisis management efforts; We are told we have to do this because there is no other alternative. Yet it may well be that on its very own terms—and very

few people have urged this point sufficiently strongly—on its very own terms, the administration package may very well fail dramatically.

Now, on this matter, I want to try to bring a point of perspective home: I was talking with someone who works on the Joint Economic Committee research staff the other day, and he commented that we are debating how many angels can stand on the head of a pin when we talk about the relative shift of a few hundred thousand, or even $1 or $2 billion more in the stimulus package; we have lost sight of the much larger issue.

We are in an economy which is approaching $1.852 trillion and we are talking about a stimulus package on the order of $15 to $16 billion. Even on its own terms, we are talking about very small impact, even were it to work.

By way of comparison, were we to look back to 1965, almost three times the relative weight was being used in the stimulus package at that time. Not quite, but if you use the 1965 figures and ask what that would mean today just to stimulate the economy, it would be in the range of $35 to $37 billion—given the fact that we have a much larger economy.

So by way of perspective, we are really talking about a small, small amount of stimulus in any event, and the rather tepid debate—as I said in my testimony—is about small changes at the margin which are not likely to be significant.

I would like to remind the committee—I am sure you are aware—that in 1965 and 1964 the much, much larger stimulus was being applied at a time when the unemployment rate was not 7.9 or 7.3 percent, but 5.2 percent. We were trying to correct a much smaller problem with a much heavier stimulus.

So in terms of perspective, we have simply lost sight of the bigger point, even on its own terms.

Now, one could quarrel with the way in which tax cuts were used instead of direct job creation programs at that time, but my main point is the point of perspective.

Another way to look at that is to recognize that the CBO estimate is that even if the administration program works this year—which I am very, very skeptical about—the best that we can hope to do with it is to gain about a half percent unemployment. About 0.5 percent is the estimated impact by the CBO of the kind of program that is being talked about in the stimulus package. It is a very, very small shift.

I think even that shift is dependent on some very, very dubious assumptions.

The administration will not say firmly that it is sure that the tax rebate actually will be spent quickly; they believe it might be, they hope it will be. But the studies are not sufficiently strong for anyone to make a hard, firm assessment that it will work.

There are many people—Professor Modigliani, who is an expert on consumer expenditures from MIT testified last week that he has grave doubts, on the basis of both the 1965 and 1975 experiences, that there actually would be a significant stimulus by the tax rebate.

Dr. Jones of the House Stabilization Committee has been doing research, which he delivered Monday, suggesting that given the high levels of inventories now, the tax rebate might simply reduce inventory

slightly. Now, this would help business, but you might not get any added production or jobs, because the inventories are so high.

So that it may well be that on its own terms this rebate will be extremely inefficient and produce very, very few jobs.

I think you might additionally note that the business community in assessing the stimulus from its point of view, is saying: "We do not know whether this is going to work. We are going to wait and see on our own investment plans, and we are going to hold back." Again, the package may even have a deletorious effect on business investment because it raises so many doubts as to whether it will really work.

Now I have not even mentioned the obvious fact that the cold weather, and the droughts in the West, will further deplete consumer expenditures this year and further raise business doubts and further undermine the impact of the stimulus package.

What I am saying is that it may not work. It may not work even on its own terms of 0.5 percent increase of employment rates. It will probably be cut at least in half by the weather—some people think it will be cut 70 to 80 percent—and the fact that it is raising grave doubts in the business community, and I would note the performance of the stock market recently, may mean that we will waste it all. It may be totally inefficient, in terms of job creation.

It may be that so little is being offered that it will retard business confidence.

If that happens, and this goes to the larger point of H.R. 50 and other programs that need to be discussed, what we will then see in 4 or 5 or 6 months is no change, or a continued recession, or a halt in performance of the economy, then we will need another emergency crisis program! And then we will see the argument again, I am afraid, that the only way to do it is through tax rebates or tax cuts, which everyone acknowledges are inefficient and do not meet broad goals, but are quick hitting, so it is argued. Thus we may be right back into the crisis mentality in 6 months because of the very limited quality of this stimulus package, even on its own terms.

Now, the broader issue that this all raises obviously has been discussed in this committee by people who know more about H.R. 50 and various planning proposals than I do. There have been references to this earlier this morning in the AFL–CIO testimony. The basic point is that we will not be able to make serious progress unless we do advanced planning on specific goals that need to be met. I would underline the AFL–CIO point that housing programs are a major area for job creation and priority goals, but, most fundamentally, unless we begin to plan in advance, we are always going to be in the "crisis management" bind.

I think I might add to the previous discussion in a limited way, rather than to go into the details of H.R. 50. As I said, I am not an expert on that legislation. I see that there are people—like Dr. Keyserling here—who are, and certainly yourself, Mr. Hawkins. The committee knows it better than I do. But I am familiar with the general concepts of the legislation, and I have been working on related legislation and related proposals that virtually every advanced industrial country has for some form of goal setting or planning.

The perspective, I might add, that the research we have been doing in the exploratory project suggests not only that we have had very

poor economic performance compared with what might have been over the last 20 years—what might have been in terms of potential GNP and meeting our goals in housing and health; but that we are entering a new period where these questions—some sort of goal-setting mechanism, some form of planning—can no longer be academic or minor questions. The perspective—the way in which we have tried to formulate this—is that any way one looks at it, the final quarter of this century, the period that we are just entering, is almost certain to be much more difficult in economic terms—to have much greater problems—than we have experienced in the past 25 years that we have come to think of as somehow normal.

And because of this, the question of maintaining decent employment levels, managing decent levels of inflation, dealing with resource crisis problems, like energy—all of these issues will be exacerbated as we go down these next 10 and 20 years. The way to think about this, we think, is to focus the deeper fundamentals facing our economy. The very large basics that set the context in which we are working really are shifting, and they are shifting in ways that have very powerful impact and influence.

To put it another way, the 25 years we have just—and that is a crude definition of the period, but it will suffice—is the period of the post-World War II boom. It is the period, by any measure, when the United States was at the height of its economic power vis-a-vis other nations in the world.

And when you look down the pike at that next quarter-century, the U.S. position relative to the advanced industrial nations—Germany, Japan, which most obviously were destroyed by World War II—but relative also to other industrial countries—we will be in a relatively weakening competitive position, comparing the final quarter with the third quarter.

When you look at our relationship to Third World nations, relative to the third quarter the prospect can only be for greater economic power in Third World nations. The most immediate impact here is most obviously the cartelization around energy, but the estimates are that we will be dependent for 17 of the 31 key industrial raw materials by the end of the century. We will be dependent for 80 to 90 percent of the 17 key materials on Third World suppliers. The impact of specific cartels and bottleneck possibilities can only grow.

What that means is that either the market power—as in energy—or the capacity to jolt this economy when a bottleneck occurs—can only grow relative to the period which we have just left.

In another area—and this is, in part, the result of poor economic management and in part the result of other failures and rigidities in the market system—the rate at which productivity has been growing has been slowing. Unles there are very major changes made, again relative to the third quarter of the century, we will see a slowdown in the growth rate of productivity. This will impact the rate of job formation and the rate of real income in the society.

More broadly still, a truly fundamental change that has hit us—as we are all aware, but have not taken the measure of—has to do with resources.

We have not known real resource shortages with real economic impacts on the economy in this country in the past period. But Energy

is only the first of the major resource shortages that we will see, and it is very different as we look down this next quarter century, compared with the past.

Others which one does not commonly think of in this way, but are obvious when you look at it in a different way—include basic water, land and air—the basic resources in addition to energy. All are becoming scarce in the sense that to recover or use them costs more and more money: land inflation, the cost of cleaning up water and air, most obviously, the costs of the basic resource of energy. The impact over the next period will be either greater inflation, or disruption, or some form of shortages that need to be dealt with—especially when you compare the coming period with the period that we have just left.

A final fundamental factor that we have suggested is more economic and institutional in nature but does speak to the need for a much, much more coherent planning mechanism—and that is the relative scale of government vis-a-vis the economy.

Whether we like it or not, the rough trend of all advanced industrial countries has been for an increasing Government role in the economy. I think that trend will not be fundamentally abated. It may be abated at the margins, it may be slightly slower or faster. But again, let us look at these broad swatches of time: in the postwar period we have just left, at the beginning of that period, roughly 22 percent of the GNP was Government expenditures—less than a quarter. We are now in the range of 33 to 38 percent, depending on where the denominator of the fraction is in terms of the GNP—roughly a third or more. By most projections, by the end of the century we will be in the range of 40 to 45 percent of GNP allocated to Government expenditures.

Unless there is decent and serious planning, that level will cause great difficulties either in terms of inflation or family tax impact or managing unemployment-inflation problems. Such magnitudes could be powerful levers. It is a fundamental qualitative shift in the way the economy is operating. Without planning, however, we will likely very often find ourselves in very difficult places.

Another way of gaining perspective is to note that the kinds of difficulties we have been experiencing recently can be measured, over the last 20 years, by looking at the way in which each of the recessions has gotten worse when measured by combining the unemployment rate with the inflation rate—what is sometimes called the "discomfort index." Over the postwar period that number has gotten deeper and bigger with each recession.

To underscore my point, it seems to me that unless we address the more fundamental issues, with the exception of minor upturns, we will find a deepening, worsening pattern continuing in the coming period. To that pattern it is predictably unpredictable—but predictable nonetheless—that we can expect that there will be recurrent jolts at unpredictable times to the economy. We are going to experience more problems of the kind that the energy crisis caused. We will see jolts of the kind that the world food shortage and the Russian wheat sale caused.

We will see, according to most experts, climatic difficulties. The probability of cartelizationalism will increase.

There will not, in short, be some magic return to normalcy. We are in a period where we need to have the capacity to deal with planning because these factors, these fundamental problems, will increase.

So the thing we are now seeing—in which we have to use a crisis management approach, a very wasteful one, indeed, in the absence of planning—this situational logic is likely to deepen and become worse over time.

The impact of all of this obviously is that we must take a much more serious look at building and strengthening our capacity to set goals for planning, to integrate our efforts, we must not simply use general tax rebates and generalized tax incentives, but instead integrate programs and focus them around very specific goals.

Housing efforts, for instance, not only create housing, they create jobs; they can cut the inflation rate in housing by increasing supply; they could help stablize central cities—and city tax bases—and thereby deal with the property tax and the welfare problem in the central cities. Properly done, they could also deal with weatherization and reduce energy use; by colocating work and housing more carefully—with very careful targeting and local city planning—they could reduce energy use in excessive commuting; they could cut down commuting energy wastes that we are now seeing in the long drive—the 40-minute drive—from the suburbs in and back out.

In other words, very carefully shaped programs that really address the fundamental problems we are facing and which require a measure both national and much broader citizen, local planning are the only way that I see of dealing with the kinds of fundamental context which we are entering.

So I see the present problems as illustrating the general problem, they are likely to recur, unless we take a deeper cut at solutions.

Now there are many issues that come up with regard to the stimulus package itself which I have tried to sketch in broad strokes in my testimony, but this broader question is the one that I feel most strongly about and which our research has been most directly related to.

Mr. HAWKINS. Dr. Alperovitz, I certainly wish to commend you on an excellent presentation. I think you have given us a broader perspective than any that has been presented to this committee, and I certainly think that there is a lot in your testimony that this subcommitee needs to explore and to try to develop.

Just one broad question which has been suggested to me. You, have done very well in pointing out the limited impact of the emphasis that is being given to fiscal policy by the new administration with the almost total exclusion of any specific goal, or planning and certainly so far lack of coordination in what is being proposed and I think you pointed out the danger of this.

Let me ask you this. With respect to the proposed stimulus package, with its emphasis on fiscal policy rather than tying it into the other policies, and particularly with microeconomic policies, reaching the structurally unemployed and so forth, do you see a danger in this package, that is totally devoid of any connection with any anti-inflation provisions, of inflation developing later this year and as a result of that? Do you see a return to the trade-off theory of past administrations that as soon as the unemployment problem somehow becomes more severe and inflation increases that there is the tendency to believe that

we are moving too fast, we are overheating the economy, and consequently getting us back again into the same problem with the past administration about being very timid about any job creation or anything that would ease that situation again?

Mr. ALPEROVITZ. The answer to that question really can be divided into two parts. I think over the near term—over the next year and year and a half—there is very little evidence, and there are very few experts I know, who believe that inflation due to excessive demand is likely to increase.

We are running very high unemployment rates, a very slack economy, as everyone knows. Whether the rate is 75 or 80 percent of capacity in most industries, everyone agrees that there is excess capacity. Given a very slack economy, and the very small nature of the stimulus package, the kind of inflation that comes from excessive demand or job creation is really a very small question.

I do not think that anyone would argue that such inflation is a very serious problem.

Another way to underscore this point is that it was not the extreme liberal economists, but rather, Dr. Paul McCracken, the head of President Nixon's Council of Economic Advisers, who urged a $24 billion 1 year stimulus package without fear of inflation—a much greater package than the administration came in with.

That is, generally, how I see the short term, the near term. In a broader sense, there is a myth—theory that we have some natural law of inflation, that we somehow believe that we cannot do anything directly about inflation.

Even if you accept this Phillip's curve argument, which I have very great question about in the ranges that we have been talking about, there is a theory—it is not a theory, it is a myth, really—that we must have excessive unemployment to keep prices down.

We need not go that route. I think it is quite obvious that if we made inflation control a very serious priority—not by reducing employment, and particularly the unemployment that undermines communities and their tax base, but if we took a direct attack on wastage, monopoly pricing, increasing significantly supplies—particularly in the housing area—and tried to move in for substantial price stabilization on the necessities that most families worry about, we could do something about inflation even at very high rates of full employment.

The debate on this has been skewed to a very cautious—and in my view, narrow—perspective. We tend to forget that many industrial nations have achieved 2 percent unemployment rates regularly for sustained periods without significant inflation rates.

Now maybe we cannot do that. Maybe all we can do is 3 percent or 3.9 percent; but we can do much better. I tend to think that President Carter's first impulse during the campaign—when he directed his economists to say, why can we not get down to the 2 percent level—is the way to think about the problem.

If you really want to do this, we think a very significant way to look at it is to ask, what are the things that matter most to people? Where are the inflationary problems for most families? In fact 70–75 percent of the average consumption budget is in housing, food, health care and basic energy.

In none of those areas, with the possible exception of health, is wage inflation a significant source of recent problems. Let me repeat that, because it is not often understood.

The whole argument about excessive inflation is that somehow excessive demand is going to increase "wage-push"—to push us up the wage-price cycle. On the basic necessities—it is obvious when you think about energy—it was not wages, however, that caused recent inflation.

If you look at food pricing, it was not wages, it was both energy and world demand.

If you look at housing, wage costs of new housing are only 15 percent of basic costs—15 percent—and amortized over the life housing, where you have to take into account excessive interest rates and property taxes and fuel, that labor cost probably is in the range of 5 to 6 percent of monthly cost to most families.

Possibly in health care—although there are ways, as we all know, to reduce costs and waste in the terribly wasteful health industry—and it is, in any event, a small percentage of consumer expenditures—is wages perhaps a significant factor.

So what I am saying is that the whole basis of this argument about inflation—that we must lower the demand on labor in order to control inflation—is very, very weak in the things that matter very, very much for most families: The basic necessities of life.

So a direct attack on inflation, including ending wastes and oligopoly pricing, and increasing supplies, particularly in housing, is a way I think we could really both move in on the inflation problem and meet needs and provide jobs.

Mr. HAWKINS. Thank you, Dr. Alperovitz.

Mr. Sarasin.

Mr. SARASIN. Thank you, Mr. Chairman.

Doctor, thank you very much for your testimony today. You have touched on so many areas, but I would like to try and address myself to a couple of them.

You talked about the productivity level in this country slowing down or being reduced, and I wonder if you would address yourself a little bit to that problem.

How do you see that being improved? What do you think it does? What is it doing to us, and how do you see it being improved?

Mr. ALPEROVITZ. There are several aspects to the problem. First of all, what it really means is that the long-term rate of growth of our income, our real income in the society, is slowing down—will continue to slow down—if we continue to allow the rate of growth of productivity to fall. And in the broadest sense—in the sense I think that is most meaningful to most citizens—it means that they will not experience a rapid or increasing rise in their own standard of living and what their life is about unless we can deal adequately with productivity growth rates.

There are issues that come up with international trade as well, but I will focus on what I think matters most to the average citizen, in terms of impact.

Now there are several factors that most experts look at in terms of productivity problems. One is obviously the shortage of capital investment. That is a very complicated problem.

In a fully employed, decently forward moving economy, there would be ample capital generated to meet most of our needs—if we have significant demand to induce investment, and if the planning is adequate. There is no need, for instance, for excessive business and investment credits if the economy is moving forward in an adequate way; if it is, there will be productivity increases.

Another part of the problem, however, runs counter to that. We are moving into a period where there will be some reduction in the rate at which we will keep up the growth of productivity because of energy cost increases, so this factor counters what we are saying.

A third factor is that the population is aging in the work force and there is some substantial evidence that the rate at which population of young people, innovative people entering the labor market slows down also impacts upon the problem that we are facing.

A fourth area, which I think is terribly important in this regard, is that we have allowed a low pressure, slack, insecurity ridden economy—and I think this itself is one of the most important factors that causes the slowdown in rate of productivity. This is at two levels:

If your corporations are defensive and worried about whether or not they are going to have markets next year—as I think they are right now because of the overall mismanagement of the economy—they tend not to introduce new machinery, they tend to hold back. Even more, they tend to find their own managers and their own workers looking over their shoulders, worrying about whether they are going to lose their jobs. There is a very conservative sense of whether we can go forward or not with new programs, both on the investment side, but even more important, in people who rightly say I just cannot lose my job when there is 8 percent or 9 percent unemployment.

There is a tension.

Now, the way to correct that is on two levels, in my opinion. The first is to make the economy move forward in a decent and high-level way so that you call forth sources of innovation and investment. On quite another level, if you can give the individual worker and manager the absolute sense that he will not be displaced, that if he loses his job he will go to one at an equal level, then you will get high levels of innovation, cooperation and team efficiency.

And this has been demonstrated remarkably well abroad. For instance, in those Japanese industries where you have lifetime guarantees of employment, productivity goes up because you are not always fighting this insecurity problem.

It has been tried out at IBM and Black & Decker in this country with great efficiency effects. I tend to place a very great deal of emphasis on the observed fact that if people have guaranteed jobs, decent jobs, jobs with a future, they cooperate with productivity increases because they are not threatened.

So those are several kinds of answers to the problem. I am sure there are others, but that is the way we begin to think about it in our own research.

Mr. SARASIN. You point out the successes in several countries such as Japan and West Germany. But can we really make that kind of a comparison when we are looking at nations that are dealing with a relatively new industrial base? I mean, it is all less than 25 years old,

and the reinvestment has been made in those countries, for new machinery, more efficient machinery.

Are we really comparing apples and apples, or are we looking at apples and oranges?

Mr. ALPEROVITZ. The thing that I have been trying to focus on is what makes the individual manager, in either country, want to move forward in his investment plan and move aggressively in building up his capital, in either place, no matter which level you start at. Similarly, whether the workers—Japan is better than Germany—want to move forward aggressively with efforts to increase productivity or if they are always resisting. In those respects, the logic, the incentives and the fear situations are really independent of whether you are starting from a high capital base.

Mr. SARASIN. Well, there is no question that confidence has a great deal to do with our success or failure. The confidence, as you point out, in the future, and the ability next year to have a market for your product. We have seen in too many cases that that confidence just is not there, and there is a great retrenchment going on, especially in some of our older manufacturing companies.

But you also point out that one of the things that has to be done here to deal with the unemployment and job stimulation effort is to end collusion, administered prices, oligopoly pricing, and monopoly practices, and yet this is the key to success in Japan.

Mr. ALPEROVITZ. I am not sure what your question is. I am not sure that is the key to success in Japan.

Mr. SARASIN. Well, we are not looking at the kind of competitive situation in the Japanese industrial base as we are in the United States, where they do have the monopoly pricing and the cartelization and this oligopoly situation. It is a much more paternalistic situation than is ours.

Mr. ALPEROVITZ. Yes, I think that is true, but I do not see—maybe I have missed the point, but at least in my view there is nothing at all incompatible with the notion that we should end the wastes both in terms of excess costs to consumers and the restraint on new innovations by breaking up oligopolistic pricing mechanisms and collusions—and, at the same time, run a high-level economy and give workers security so that you get positive incentives to move forward by both managers and workers.

The two are both the sort of things that we should be doing; and it is also true—quite separably—and I agree with you, that Japan has a different kind of paternalistic system, which is a different issue.

Mr. SARASIN. Well, does that not help to give the security to the worker? I am not endorsing the concept, but is not Japan's situation so different, when you talk about the confidence of the worker and the ability to remain employed for life, and so forth, it is a different ballgame, it is a different industrial situation than we have here.

Mr. ALPEROVITZ. There are those differences, but, as I was saying—it is why it is very interesting to look at the way that IBM or Black & Decker treats this in this country, where they make every effort to give greater security to the workers, to the development of team participation and get—not fear of change—but cooperation with change.

So you do not need Japanese paternalism—which I agree is a factor—to do the same thing with our own companies.

Mr. SARASIN. I agree that conceptually that is great and it certainly would build the confidence and the team effort and everything that has to go with it, but you cannot call IBM a "mom and pop" industry.

Mr. ALPEROVITZ. No, I would not.

Mr. SARASIN. It is a big outfit, and they are involved in many, many areas, and you can move people around and in a sense, it is its own little world.

Some of what you have said here tends to, I think, be contradictory in your comparisons. You are pointing out a situation that, in fact, is not on all fours with our own situation.

Mr. ALPEROVITZ. All I really want to say is that there are ways to get much greater increases in productivity which we know about in this country and which parallel in some rough way things abroad, but have also been demonstrated here. A seriously aggressive and ongoing economy could, I think—with careful planning—increase our use of these practices.

Mr. SARASIN. In another area, you talk about the labor not being a factor and in some of the examples you cited, I suppose that is true. But you point out that one of the things that has to be done is to end the excessive middleman cost and waste in the industries of agriculture, food production and distribution.

Now, is not to a very large extent that middleman expense labor?

Mr. ALPEROVITZ. A good part of that is excessive pricing and unnecessary production. It is not the kind of cost that is associated with the old trade-off theory.

That is to say, we could run a high-level economy and not incur spectacular raises in the cost of food. That is double because the major factors in increased food inflation have not been labor factors.

On the other hand, if you moved aggressively to lower costs, you would be going after waste, which is also all to the good.

So those are two separate tracks of argument that I would press simultaneously. I am saying that we have to increase our attack on waste and excessive costs in a variety of different ways—and the main point is that we could run a full-employment economy without having to fear excessive food inflation due to labor costs.

Mr. SARASIN. Well, how do you see us eliminating the middleman in agriculture and food distribution?

Mr. ALPEROVITZ. I would not say eliminate the middleman. I would say eliminate excessive middleman costs.

Now, there have been some demonstrations in Iowa and Kansas, for instance, of much greater efficiencies in beef packing done closer to the farm and then shipped on beyond. This has been very well studied by experts and what you really do is just go after opening those markets to much greater competition.

Mr. SARASIN. And you feel that is not being done now?

Mr. ALPEROVITZ. Oh, I think there is ample——

Mr. SARASIN. Or that people are not trying to get into that aspect of the business, if in fact it cannot be productive?

Are you saying that people are not trying to get into that?

I assume the middleman was created because there was a need for the middleman. Somewhere he had to collect a few cows or steers from each place, put them together and cut them up and ship them

on because they were a long way from your ultimate market. If there is a better way to do it, do you not feel that some one or groups of people will try to get into that area of it in order to meet a demand that is there?

Mr. ALPEROVITZ. I am not an expert on this area, but I have seen a great deal of expert testimony and I do not think there is much dispute that this is an excessively protected industry. It is very hard to get in, and though it would be a good idea, and efficient, to get in, I think some of the productivity studies—the U.S. Productivity Commission studies—underscore the point that it is a very tough, protected market in some areas. You just cannot get in.

Mr. SARASIN. I think you are correct in pointing out that the next 25 years are going to be the toughest we have gone through in a long, long time, and I am very much concerned about the shortage of energy and other raw materials that we need if we expect to have all the good things happen.

It is not likely to have those materials available to us and I wonder how we can expect to pickup the slack when that happens and still maintain any kind of an economy.

You pointed out in your oral statement that the spending of the Government has increased from 23 percent to 38 percent and at the same time, everytime we get into a recessionary period, that discomfort level increases. The decrease in percentage of unemployment and inflation occurring at the same time.

You do not find that a related factor?

Mr. ALPEROVITZ. Well, as I tried to say, the primary sources of recent excessive inflation are not labor related in many industries. When the cost of food and housing goes up, there is some secondary relationship and there is some small fraction that can be attributed, in my opinion, to excessive demand, but certainly not in the period that we have been living in. It is just not there.

The recent problems have been particularly, excessive world markets and high-energy costs. Energy is obvious. In housing, the interest-rate problem is incredible and there will have to be something done to deal with it directly.

So it has not been excessive demand, is my main point.

As you go down into the rest of this century, my basic view is that the kind of logic that has produced these big problems which we have been experiencing over the past 4 years, and which began to generate interest in Humphrey-Hawkins, in the various proposals for planning—that logic is going to intensify; what is needed is the advanced capacity, not only the ideas, but the planning institutions and the people who can handle it, and plans at the local level and the capacity to handle and develop and use people carefully in an integrated way at the local level.

And further, the capacity to generate the decisionmaking and planning capacity amongst local citizens. Unless we begin to build that capacity when we get these repeated situations, we will never get out of this wasteful bind we are in.

So I am saying that there has been, in my view, a long, long time in which we should have been moving forward, at the very least in the way that we did after the Second World War. We need a much coherent and integrated planning effort; we are way behind all of the advanced

industrial countries. Finally, the logic forcing this issue is going to get much worse in the coming period: So let us address it earlier rather than later.

Mr. SARASIN. Now you are making a distinction between planning at the local level and planning at the national level?

Mr. ALPEROVITZ. I would argue that what we need to develop is a double-barreled approach. We need to develop national planning based on the priorities which as best we can reflect local citizens needs.

Now, there has got to be national integrated planning, overall economic planning. What we need to develop is the capacity to do this in ways which reflect in our planning decisions not just the view of the administration economists—I have grave reservations about the views we get from administration economists, as I have indicated—but bring much broader participation into that process.

I do not think anyone has a full answer on this, but I think unless we do it, we will end up with a kind of nightmare of a central planning effort. So that is what we need to strengthen.

Mr. SARASIN. This is my dilemma, and I love the chairman very much, but I disagree with his legislation.

You have pointed out that you disagree with the administration economists. There are other economists who would disagree with you.

Who is going to do the planning? Who is the bright star that we are going to select who has the answer?

I think as we look back that we have not been very successful in predicting, and an example—and it has become very trite, because I use it over and over—is if we do as well planning for the economy as we do running the post office, we are in a lot of trouble. I do not want to see that happen.

Mr. ALPEROVITZ. I would say, I have my own reservations about how the post office is run—but looked at in a broader perspective this is not the issue: the incredible inefficiency in the way the economy is run is the issue: it as absolutely astounding. When you compare what we've done with what the potential is, with the billions and trillions—and Dr. Keyserling estimates, $4.4 trillion in absolute loss—trillion dollars—the losses are staggering.

If we continue at that rate, and the trends suggest that it is going to get worse, rather than better—then over the next 25 years we are going to see $8.8 trillion in waste; and since the economy will grow and we will have some inflation unless we do something, the numbers are going to be on the order of magnitude of $10 and $12 trillion in waste.

That is gigantic, in terms of real resource loss; gigantic in terms of human lives; gigantic in terms of the tax and welfare problems of local communities. It is absolutely astounding compared with the wastage of the post office system.

I am not a defender of the post office, I am just saying——

Mr. SARASIN. That is just an example only, and what I am saying is who has the answer here? To whom should we entrust this great responsibility of trying to run the economy that is a very complex piece of business?

Mr. ALPEROVITZ. I would say that the first point is that it is terribly mismanaged now, so that the way we have been going about it needs to be corrected, and there is plenty of space for correction.

I would argue that we are going to need to develop national economic plans. They should come, rightly, from administration proposals and congressional capacity to come up with alternative plans—so that if we decide that our priorities really are housing and health, we know what the implications are and what the investment decisions must be, and what the price implications are.

And the process in which you have a give and take at that level for national economic plans is absolutely essential.

I would say that for the congressional planning process you need to build up the capacity to know really what are the big priority questions in local communities. Is it housing and health? Is it highways?

What are the macroimplications of what communities want?

Now, some States have begun to do this—Iowa, Hawaii, the State of Washington—have begun to develop the capacity to lay out some of the broad parameters of citizen needs.

I do not think you can have any town meeting planning all the national decisions, but you can begin to generate a process where priorities and overall goals can reflect citizen goals, and the administrative level—decisionmaking about the allocation of capital, for instance—can be greatly decentralized once the larger decisions are made, once the larger macrodecisions are made about investments.

Communities can begin to decide whether they want to put their capital into housing, into rails, into mass transit, into more highways and block grants for sewage. Those kinds of decisions can be increasingly related directly to citizens.

I would say that one of the great things about the debate over H.R. 50 is it has begun to teach us that these are the basic issues we are going to have to define and face because we will not be able to continue very well in the old way any longer. I think that is the challenge before us.

Mr. SARASIN. Why must we take the ability to make those decisions from the individual and give them to this all-powerful Government that does so well in everything else it touches?

Mr. ALPEROVITZ. I do not think the citizen has that capacity now. Most citizens—10 percent of the citizens—are forced right now not to have any choice at all whether they can work. They do not have the choice to make any decisions.

A large additional percentage of them are in fear, either because they will lose their company, if they are small businessmen, or because they will lose their job, given the excessive instability of the economy. They do not have any role at all in these decisions. My own view is that we need to empower citizens more and more to at least have some control over the larger parameters which absolutely affect the conditions of their life.

These decisions are not made by them. They are in other people's hands entirely now.

Mr. SARASIN. Thank you, Mr. Chairman.

Mr. HAWKINS. On the last question, is it not true, Doctor, that the planning you are speaking of takes place through the democratic processes. We have the elective machinery today, a Congress and an Executive, and that whatever planning there is to do should come out of this type of a process.

We have local governments which certainly have planning agencies. They are not well-integrated. I know of at least a dozen Federal agencies that do some planning, but there is no integration of the planning. It seems to me that the answer to who does the planning certainly should take us away from the idea that the planning is going to continue the way it is now, that some fancy hunting club on the Atlantic coast is the place where the decision is made, or the Burning Tree Country Club where men meet to have cocktails at the end of the day, to discuss planning.

I mean, there is a lot of planning going on, but it is done by certain individuals and not the public. Under H.R. 50, we envision that when a President is elected that he is going to have a plan, and he is going to submit this plan to the elected representatives of the people. This individual that we speak of that today does not participate in planning, but he does participate in the election of representatives. We want the policies that are going to be formulated out in the open where individuals can participate, where all interests, whether labor or business or any others, are going to participate and out of this process, we will formulate a plan based on a specific policy that the people can identify with this seems to me to be the essence of the type of planning that we are talking about.

We are not talking about individuals being precluded from participation, as they are now. I just do not know where the plans are formulated now. I have tried to find out from past administrations and I am still desperately trying to find out from the present administration who is doing the planning for us.

But if we come to the position that planning is needed, then it seems to me that the democratic processes give us the answer. In is the only way that I can see.

Otherwise, I cannot see that we have an alternative except to go on as it is now as some special interest in a rather surreptitious way doing the planning and nobody knows for whose benefit it is being done.

Mr. ALPEROVITZ. I could not agree more, on both levels, Mr. Chairman—both that the democratic process is the only hope we have, and that we need to strengthen our capacity at all levels. When we can decentralize, we should, to make that process really work. There are a variety of specific ways to do it.

I certainly agree at the other level with your point that if you look at the way energy planning decisions were really made over the last 5 years, over the last decade, those planning decisions were made. There were plans drawn up on how to deal with energy and whether or not we were going to have refinery capacity, or whether or not we were going to develop our own resources, whether or not we would develop gas guzzling cars; plans were made.

They were not open to public discussion. We cannot even get the data, and we are experiencing the results of that kind of planning.

Mr. SARASIN. Would the gentleman yield?

Mr. HAWKINS. Certainly.

Mr. SARASIN. It would still seem to me that the democratic process is going to work in that situation—and that is with a small "d," democratic. You are talking really about transferring all of these indi-

vidual decisions to a select few people, whether they are in the open or not, and that is not the situation we live under today. We have 215 million Americans making their own choices—what they will buy, essentially whether they will give their labors to a particular industry.

And by their own judgment, informed or ill-informed as it might be, they are determining where the country will go.

I have great fear on deciding, on the basis of an election, that the economic aspects of the country will also be decided—or all economic aspects of the country—will be decided by the select few in the Halls of Congress or in the White House.

You pointed out that the planning had been done for the gas guzzling cars and so forth. People decided that was what they wanted; but at least they made their decision.

Now, if the economics came into play and the energy cost what it should cost, maybe the decision would be otherwise and it would be in their self-interest to be a little more careful and more conservative with energy which is in short supply and will be even worse in the future.

But I just have great fear of turning over all of these individual decisions and the allocations of resources that the Americans now make—consciously or unconsciously—to some select few, and I just do not think we have found the great wisdom, either in these halls or at 1600 Pennsylvania Avenue.

Mr. ALPEROVITZ. Well, I certainly agree, and the whole point of what I would call the democratic process—and expanding and intensifying it—would be to get away from the select few, whether they be downtown or in Exxon's headquarters.

But there is no doubt, for instance, on refinery capacity that a planning decision was made, and it was made in a way which was detrimental to the need of this country to develop its own resources. We ran into what was in some part a manufactured crisis.

The planning was done, but it was not done by anybody subject to public accountability, and it had great impact on the citizenry.

Mr. SARASIN. But was not the planning done in response to a demand?

Mr. ALPEROVITZ. Not in energy.

Mr. SARASIN. The demand for a larger automobile, which is partly public relations and partly the individual's own desire.

Mr. ALPEROVITZ. Well, on the level I was talking about——

Mr. SARASIN. Because the individual felt he could afford it and wanted the comfort of a larger car.

Mr. ALPEROVITZ. We are talking a little bit at cross purposes—I was talking about the refinery investment decision which was made by the oil companies—a decision not to invest; and we experienced a big bottleneck a few years ago and still have it with us, and we have the experience right now that U.S. investments in refineries are being made abroad and not in this country by our own companies.

Mr. SARASIN. The economics dictated that that is what they should do.

Mr. ALPEROVITZ. Well, the question about whether that is so is one question which we have not quite got the answer on—whether or not there was a view that by not investing in refinery capacity they could create a crisis which then could force up gasoline prices.

There is testimony in the Senate that suggests that there may or may not have been informal or formal collusion to create an artificial situation in which you could get very large profits on that particular decision.

Senator Jackson's committee investigated it at great length, and there are still a lot of questions to be answered.

So I am not sure it was the economics of supply and demand, nor on such long-term investment decisions can that be the only criteria. The economics of it might be that we should have no refineries, but would that be in America's national interest? There are other considerations that go well beyond the narrow short-term questions of whether Exxon would make more or less, when you come to something as crucial as energy.

As to the gas guzzlers, I am delighted to talk about this because it is the nitty-gritty of what you have to get into.

There has been an excessive creation of stimulation of demand through advertising to buy more and more cars with beautiful inducements to buy them. Simultaneously, we have not developed—and I think that this is even a bigger part of it—we as a nation—I am not talking only about consumers—but we have never made the decision to give anyone an alternative choice really about transportation.

We have allowed mass transit to disintegrate where it once existed. Concretely and very specifically, companies like General Motors destroyed the mass transit capacity of the city of Los Angeles, ripped up the existing rails and bought them up in order to induce automobile sales. There was a Senate Judiciary Committee study which documented that at length.

We, as a nation, have never given people a choice as to what decent mass transit might look like, so they have to go the automobile for most of their basic needs. There is no option. Planning would give you options.

Mr. SARASIN. But you are looking at an evolutionary process here. The people made that decision. They got out of the cities and moved to the suburbs and needed the transportation and approved the bond issues for highways and everything else that had to be done. And now we are looking at it as a mistake.

It seemed like the right idea at the time, but at least we were able to make that decision. Now we have to try and retrench and come back because the energy which was so inexpensive is now becoming so expensive.

Mr. ALPEROVITZ. But it is a beautiful illustration, Mr. Congressman, that those policies which produced the mass exodus to the suburbs, the tax policies, FHA loan policies, incentives to move in that direction, highway construction monies, were really short-term ad hoc policies, in part very heavily supported both by the auto industry and the highway construction industry——

Mr. SARASIN. And by the people.

Mr. ALPEROVITZ. Well, I would go on. I think——

Mr. SARASIN. And what about the jobs that were created in the housing and in the highways and in all of the things that went with that?

Mr. ALPEROVITZ. It is not a question——

Mr. SARASIN. That is part of our expanding economy, too.

Mr. ALPEROVITZ. I would not dispute the need for better housing, but I am saying that it illustrates perfectly that we did not plan ade-

quately for our needs. What we have done is depleted the central city, without any plan or forethought—and, as you said, made great mistakes.

Now if we are not going to make those kinds of mistakes we have to look at the thing in an integrated and coherent way. What is the total effect of these various programs? How do we produce options that are real in terms of whether or not mass transit will work?

How do we save land? How do we save energy? How do we save housing?

It is an integrated process inherent in the fundamental logic of these issues. What I am really saying is that we have to stop this ad hoc mistake-ridden process and move to a level of more cooperation, more rational decisionmaking. And that is really my point. It is a mistake to go that way.

Mr. SARASIN. But this is what the individual wanted to do. He was not directed to do it. He was not ordered to stay in the central city—I just do not see how you are going to have a democracy under the system that you have described.

Mr. HAWKINS. Would the gentleman yield?

Mr. SARASIN. Surely.

Mr. HAWKINS. May I ask you, in what way do you think the individual made that decision?

Was not the individual pulled on—not because the individual controlled the free market that you speak of, but those who controlled the supply determined where the individual was going to live?

It was the gas company, not the individual, who determined that you were going to build a road that would require the car to go out there guzzling all the gasoline.

This was an interference with those who have supposedly been doing the planning by those who wanted something done in order to profit themselves. I do not think that you can say that individuals themselves have in some way made all of these decisions independent of all of the forces at work.

It seems to me you were ignoring completely an administered price structure. You were ignoring altogether monopolistic practices and all of the things that have happened, and you are putting all of the responsibility and blame, it seems to me, on the individual and saying what has happened has happened because people wanted these things to happen.

I do not think any of us wanted to be lined up for gasoline at higher prices a few years ago. It was not the individual's fault that this came about.

Mr. SARASIN. Well, I think you have to say that it was the individual's thought in the way that we consume it. But we made that choice, and I just wonder if we——

Mr. HAWKINS. Well, do you think that the gasoline companies had any involvement in the situation?

Mr. SARASIN. Of course. They have provided us with the gasoline for all these years.

I am not going to defend the gasoline companies, but we did not become a great country because the Government planned it that way. We became a great country because individuals had a freedom of choice, including the ability to make a mistake.

Mr. ALPEROVITZ. I think we could probably go on in this vein for a little longer, but there is a way that I would like to illustrate the broad point which sometimes I have found useful, which is that the issue of planning decisions—meaning making choices about priorities—comes up most dramatically, I have found, in another area that is often neglected, but it is a very powerfully illustration:

There are 13 million small businesses in this country. The Fortune 500 is 0.004 percent of the number of businesses there are in this country.

In the context of the capital crisis and the need for more capital—we have experienced it over the last 4 or 5 years—planning and priority decisions are made, and the capital has gone to the Fortune 500 who have their connection with the Chase Manhattan, or wherever, and small businessmen have not had access to that capital, or even to that decisionmaking process.

And it is a question of power relationships and decisions about priorities.

In the decision about where the economy goes in the future, the question of capital allocation and priorities either will be controlled—not by individuals—but by the leaders of a very small number of very large corporations; or we will broaden it in a way that will meet other priorities, including the need to help small businessmen.

I think that, for me, has clarified a number of the questions. There is no easy access to many capital decisions in this country at all.

Mr. SARASIN. But the capital will go to the area of greatest return.

Mr. ALPEROVITZ. Not at all, Capital, in fact—many small businessmen with very good balance sheets have not been able to get capital over the last 4 years because they did not have the relationship with the large banker that GM has.

Mr. SARASIN. What you are suggesting is that we should go the route of Sweden—and you pointed out that they have a low unemployment rate—but that is big business, big government and big labor, and that is it.

Mr. ALPEROVITZ. I am not arguing for Sweden. I am arguing for a way to decentralize——

Mr. SARASIN. Or Japan or West Germany with essentially the same concept of doing business.

Mr. ALPEROVITZ. I do not think that any of the foreign models will work in this country, but I do believe we will need publicly accountable planning which can make priority allocation decisions, including whether small businessmen have decent access to capital, in a much more publicly accountable way, in a way that is very American in its traditions, decentralized. It can not copy any of the foreign models.

I think that is our problem, as we enter these next two decades.

Mr. SARASIN. Is there not a trade off here in the Mom and Pop grocery store, to a large extent, are gone and the supermarkets have taken their place, but is there not a benefit passed along, and has not the supermarket been successful because they have been able to offer the volume and the cheaper price for the product they are selling?

And so the consumer has benefited and then made the choice, that is where they are going to go, because economically it was in their interests to do it.

Mr. ALPEROVITZ. In some areas that process works. In some areas, it has been documented in the city of Washington, that process does not

work. The supermarkets move out leaving neighborhoods totally stranded after they destroy the small businessman.

Mr. SARASIN. And we know why, we know why. I live on the corner—I live in the middle of the block between sixth and seventh on G Streets. There is a Safeway around the corner and I will not dare go to the Safeway around closing time. That is when it gets robbed.

Mr. ALPEROVITZ. Well, I would be the strongest advocate, as is obvious from my testimony, of providing decent jobs and beginning to deal with the conditions in which that kind of robbery occurs. I certainly have no doubt that we should really go to the sources of crime.

I was speaking to the narrow economic question; in some cases supermarkets have moved in, drastically reduced prices, wiped out the small businessman and then reintroduced high prices. In other cases, thereafter, they have left, and you have stranded the whole neighborhood.

Now it is not simply because they were more efficient. In some cases they were; I do not want to disagree with that. But there is a good deal of evidence to this effect; it has been well documented by the Congress.

Mr. SARASIN. Well, we could go on for days, I suppose.

Thank you, Mr. Chairman.

Mr. ALPEROVITZ. I have enjoyed it, Mr. Sarasin.

Mr. HAWKINS. Mr. Sarasin and I have a continuing battle. I am sorry that he did not bring in the very horrible example this morning which he usually uses and that is Great Britain.

Anyway, we certainly are appreciative of your testimony and it has helped us tremendously, Mr. Alperovitz.

Mr. Sarasin and I were going so strongly here that I forgot my duties as chairman, Mr. Weiss. I apologize.

Mr. WEISS. Mr. Chairman, I am sort of reluctant to get myself involved. I am afraid I will bring down the level of the discussion, but I will try anyhow.

Just appropos of the last discussion that we were having, my first visit to Washington was about 30 years ago and I remember that they had trolley cars all over Washington and I wondered what happened to those trolley cars and I believe I read the stories about how General Motors and the other manufacturers in essence deliberately went out of their way to destroy the trolley cars.

That was not a decision, I am sure, that was made individually by Washingtonians or whoever else.

I thought also that economic planning—you tell me—has not, in fact, economic planning, or the issue of economics, been always involved in our national policy decisionmaking and the problem has been that we have not implemented the policy decisions that have been made in the national elections, for example, that have just been concluded.

I really have one question. In the basic premise that you started with, two of them, really, one is that inefficiencies are irrelevant and two is the small impact that the $15 billion cut is to have to the overall gross national product, now those premises, I guess, are implicit in the legislation before us that Mr. Hawkins has authored, and—or implicit in some of the comments that Chairman Perkins had made earlier—and yet I had occasion within the last 2 days, I guess, to

listen to Mr. Oaken, who, looking at the same economic situation that we have all seen and that you have described, saying that really what the administration proposal is, and rightly, in his opinion, is not radical surgery but simply vitamin pills, these are his words. And as far as he is concerned, all that the economy really needs is vitamin pills because what he said it will do is to put us one or two quarters ahead of where the economy would normally move on its own. It would accelerate that growth.

I just wonder, and that is really the question, speculative, philosophical, why would Dr. Oaken and most of the other establishment economists really take that kind of view of the economy, that all you need is this kind of tiny tinkering, the vitamin pill approach, when what you are really talking about is a basic attention to fundamentals.

Mr. ALPEROVITZ. Several comments: Dr. Heller has urged a $20 or $22 billion package, considerably more——

Mr. WEISS. But tax rebates, basically.

Mr. ALPEROVITZ. Basically tax rebates, but a much larger stimulus.

I think the record of some of the suggestions and predictions of Dr. Oaken is, in some areas, weak; and that the motion that is a vitamin pill, in my view, depends upon how you think that people will react to it. Business decisions, consumer decisions, and there are inventory decisions—we disagree as to whether or not this is, in fact, even a vitamin pill.

But the larger issues are really involved in your question, I think. The first is—one is a question of values and what we think is important. With the levels of unemployment that exist in this country, mammoth levels, probably 10 percent, if you counted halfway decently, my own values are different. I do not think it is adequate or efficient. I do not think we can afford to continue at that level of minor moving forward.

I use the word "afford" for several reasons. I think unless we really take a very deep look at what is going on in these cities, there will be very grave problems facing us. I think that we will see a very ugly situation in this country, unless we begin to deal with the underlying social difficulties which I think are emerging.

The silence is thundering in the cities, and I think that silence will break.

So I do not think it is enough simply to move forward a bit—even if it were to go that way, which I disagree about—step by step with tiny little jolts.

On quite another level, I do disagree in a much more fundamental sense. I believe that many of the economists who have been giving the economic advice that we have been relying on over the last two decades have drawn from their own experience, which is an experience, relatively, of unusually good economic times, the postwar boom, if you like.

I certainly think we could have done a lot better. I would have gone much further along the route that Dr. Keyserling has repeatedly suggested, and I would have made other changes probably beyond that.

But I think many economists have learned their economics in a small period of American history. I think the period that we are entering is fundamentally different. I think the economics profession

in large part has not caught up with the changes that are really, deeply entering our economy.

I think the third quarter of the century, if you like, is the exceptional quarter of the century and that the final quarter is likely to look much more like the first or second, a period of increasing problems that we will have to deal with. I think that is the trend we are going into.

So I think much of the thinking in the administration package is that we can return to normal with a little step-up in the economy. I do not think there is any pleasant normal. I think the normal we will see is very different. It is the kind I have tried to outline, for the fundamental reasons I have outlined, and for this reason alone—leaving aside the question of the values of having a decently employed economy—we are going to have to deal with the question of planning and H.R. 50 proposals and extensions of that.

So we disagree about the fundamental context that we are entering, is the basic answer to your question.

Mr. WEISS. Thank you very much.

Thank you, Mr. Chairman.

Mr. HAWKINS. If I may comment on that situation and your reference to what is happening in some of the areas of the country, which I think is merely a signal to others, because I think it will become enlarged. I recall during the disorders in my own district in 1965 in which some 35 persons were killed and property damage was almost a billion dollars because of an eruption over the poverty program and after the disorders took place I had the opportunity of talking to some of the young people, and they were telling me—in language that I would not repeat—their feeling is that type of disruption has become out of date. They are not going to go out and burn down buildings as they did then. In many instances, they destroyed their shopping centers and the places where they work.

The idea now is that they are going out with a gun or a knife or something else and take what they want. I suspect that it is also the same psychology that motivates the individuals that hang around the shopping centers, Mr. Sarasin, in our own community.

I share with you the same fear of shopping in the evening in these places. But I think we should put it into the context of indivduals who want jobs, an opportunity to earn something. I think that, I will not mention the name, some of the economists who are testifying are not the ones who know of the situation that prevails in some of these communities.

I think that they are completely unaware of the social implications, if not the moral implications, of the things that are happening today and the policies that are being made. I think that if they were aware of what these conditions really are and the frightful possibilities that do exist, they would not be talking about some type of a vitamin pill. I think that they would be talking about more basic things that effect the economy.

It just seems to me that Mr. Weiss in his statement has to some extent highlighted what I consider to be a very dangerous prevailing situation. I do not think that some of those who are testifying today, unfortunately, are the ones who know the situation as well as some of the rest of us who have to go back to these communities. In my in-

stance, I live in such a community in which these dangers are a way of life.

Mr. ALPEROVITZ. I certainly agree.

Mr. HAWKINS. Any further questions?

If not, then Mr. Alperowitz, we certainly want to thank you for your presentation this morning. I think you have been most helpful to us. Thank you very much.

Mr. ALPEROVITZ. Thank you very much.

Mr. HAWKINS. Thank you.

The Chair wishes to express appreciation for the attendance which we have had today, and also to the two other members of the committee who have prevailed and who still remain with us, Mr. Sarasin and Mr. Weiss. This is, as you know, a day in which the House is in recess. We are supposed to be back in our districts. I hope that we are doing as much for our districts here in Washington as we would be if we were actually back there.

Our final witness is Mr. Richard Brown, Staff Consultant for the Full Employment Action Council, Washington, D.C.

Mr. Brown, your statement, which is rather brief, will be printed in the record at this point. You may proceed.

[The prepared statement of Mr. A. Brown follows:]

PREPARED STATEMENT OF RICHARD A. BROWN, STAFF CONSULTANT, FULL EMPLOYMENT ACTION COUNCIL, ON BEHALF OF THE COUNCIL'S COCHAIRPERSONS CORETTA SCOTT KING AND MURRAY H. FINLEY

President Carter, when campaigning, frequently stated that the greatest problem facing America is the staggering rate of unemployment. His recently announced program of economic stimulation, while indicating continuing concern and a necessary sense of urgency, is a misdirected effort whose job creation potentials are exceptionally minimal. More than that, possible benefits as measured against what is needed fall far short of our expectations.

The President stated a clear basic commitment to the Full Employment Action Council last April 1st: "I believe that every person has a right to a decent job and that we as a people must work toward providing useful work for each person capable of holding down gainful employment." But we take strong exception to both the size and composition of the announced program as the way toward moving to fulfill that commitment.

Facing up to the realities of the current situation, it is clear that whatever program that is adopted now as an emergency measure, will not do very much to substantially reduce unemployment. It is difficult now to know what the effect the current cold weather emergency will have on unemployment and the economy.

Therefore while we urge that the largest part of any economic package be jobs programs, and that tax rebates and reductions be held to a minimum, we hope that the Congress and the President will quickly turn their attention to the long range problem of creating a full employment economy.

We firmly believe that H.R. 50–S.50 sponsored by Congressman Hawkins and Senator Humphrey provides the best answer to this problem.

This winter stresses once again, the necessity of developing an energy program that serves the nation's needs.

Our housing needs for low and middle income people are still unmet, yet unemployment is overwhelmingly high in the housing industry.

Our environmental problems are still far from resolved.

These and other national unmet needs should provide major opportunities for building full employment.

It is time we ended a patchwork approach toward the problems of the unemployed.

We believe that full employment is possible without inflation, we believe that H.R. 50 can put us on this road, and we urge that this Committee, the Congress and the President, as soon as feasible, begin to focus on that legislation.

STATEMENT OF RICHARD A. BROWN, STAFF, CONSULTANT, FULL EMPLOYMENT ACTION COUNCIL, WASHINGTON., D.C.

Mr. BROWN. Thank you, Mr. Chairman. I am here really on behalf of Coretta Scott King and Murray Finley who are Chairmen of the council, who were unable to be here on such short notice.

The statement is brief, but I will not read it to you because it really goes to one question, which almost seems redundant when I am testifying before you, Mr. Chairman, which is to say that we believe that whatever is done under the current package will either be a Band-Aid or a vitamin pill, depending on which cliche you want to use, and that essentially we think that it is necessary to address oneself to the Humphrey-Hawkins bill, H.R. 50, as soon as possible. And that there has to be a question of long-range planning.

I realize it is late now and some of the previous witnesses, such as Ken Young of the AFL-CIO and Dr. Alperovitz, have covered a lot of territory which we would agree with, and I do not mind going into the Guiness Book of Records as having one of the shortest testimbnies in history.

We really feel that this committee has been provided by those previous witnesses—and I am sure, in other cases, by Dr. Keyserling—and I am sure the chairman himself has instructed the other members of the subcommittee on the advantages of the Humphrey-Hawkins bill, and now is not the time to go into it in length.

And it is basically that we feel that there is a need for planning. To add a cliche that I have written many times on other issues, if the United States can put a man on the moon, if we can plan the first nuclear bomb, we ought to be able to plan it so that all Americans who wanted a job could work, and it just does not seem to me that if there is anything that is more American than the belief in the work ethic, that is it.

So on behalf of the Full Employment Action Council, which is a group which is dedicated to trying to achieve full employment and which consists of many national organizations, civil rights, labor, community and church groups, we urge this subcommittee to, as soon as possible, get to the business of trying to prepare planning along the lines of H.R. 50.

I thank you.

Mr. HAWKINS. I have only one question, Mr. Brown.

Do you feel that the campaign, or in the movement to obtain a broader approach such as H.R. 50, that there should necessarily be any delay in dealing with the more immediate proposals that are now before the committee?

Mr. BROWN. It is obvious that it would be a great deal more helpful if the Congress had passed H.R. 50 in the last session and had it been signed into law. It seems to me that the planning that is now being done and the bargaining that is now going forth—and I say the bargaining rather than planning, because that is what is happening on the employment programs, is the various interest groups are bargaining as between one phase of employment and another and as between a tax program—it would be, in a much better sense, a better plan.

However, there is no question that there is a need. We did make a statement urging that all of the money that was allocated would go to jobs programs rather than tax programs.

I do not think that that should hamper, in either direction, the need for immediately going to work on H.R. 50 because what we are talking about, as Dr. Alperovitz said, the problems of the next 25 years. And it is complex. I do not believe, personally, that any one piece of legislation is going to totally resolve the problems.

Even assuming the bill were to pass now, as it is, or with suitable amendment, it is going to take time because we are going to have to develop answers to a lot of questions that nobody really has. I am not an economist. I get befuddled sometimes when I listen to the opposing views.

But I do know I think the safest thing we can say, as Mr. Sarasin said before, is that people are going to have the capacity to make errors, whether it is the private or the public sector.

I think I might only add one thing in listening to the previous discussion, and that is that the question of choices in terms of planning, I think we, as individuals, do not quite always have those choices we want. I am someone who has always been conscious of the problem of the necessity of using a car with less gasoline, but when I want to go out and buy one, I find sometimes that I do not have the choices I want.

I am a little bit bigger than some of these small cars that use less gasoline, so I am forced with the choice of trying to protect my back, because I do not have such a good back—if I try to bend into one of those things, I am going to wind up in a straightjacket—so I am going to wind up buying a bigger car which uses more gasoline and I just do not have that choice.

So I feel that planning, some planning on the part of Government to protect some individuals who have whatever hangups, whatever—maybe we are taller, smaller, bad backs—could be helpful as long as they do not put me into a straightjacket and force me to do what the Government wants.

It seems to me that the kind of planning that I read into H.R. 50 is one which would plan what the Government does, but still would allow private industry and individuals in the marketplace to make a lot of the decisions. And it seems to me that that interrelationship is possible.

Mr. HAWKINS. Thank you.

Mr. Sarasin.

Mr. SARASIN. Thank you very much, Mr. Chairman.

Let me just touch on one of the things. Of course, this is how I got into the last discussion, saying I just want to touch one of the things that you got into—and I promise I will not do that again.

You point out that the cold spell we have had and the winter demands that we develop a national energy program. I wonder if you could briefly, if such thing is possible to discuss this issue itself, give me somewhat what you would feel a national energy program should entail.

Mr. BROWN. Well, I am not an expert on the energy program except as a consumer. I just feel that the Government has no—and I can remember going back a long time, in fact every 10 years it seems to

me, I would read, starting right after the war that we are running out of oil and we are running out of this and we are running out of the other thing.

It seems to me that somewhere there ought to be a planning agency in the Government that is going to do something about producing energy that we need and about conserving energy.

I think not nearly enough has been done about conserving energy. And this ties into the employment problems. I think there is some legislation in a small way which will allow people to fix up their houses so that they would use up less energy and they could borrow money at lower interest rates. Expansion of that program could provide meaningful jobs, cut down on the use of energy.

But it has to come from the top. It has to come from the Government, although there is no question that private enterprise can also do a lot. I have read recently that some of the gas companies are considering lending money, or at least doing their repairs and then adding the cost of repairs onto people's gas bills. Now this is—I do not know, I am not an expert on energy, but it just seems to me that, if we have such a program which was done in cooperation with the Government and industry, that there are a tremendous amount of jobs that could be created around the country and repairs, not only in homes, but in factories, that would reduce the use of energy.

Mr. SARASIN. I think we will hopefully see the development of programs along that line with incentives for insulation and that sort of thing.

Mr. BROWN. Because is that not something, Congressman, that—you know, I think certainly no later than the Arab oil boycott we should have been thinking of planning.

Mr. SARASIN. There is no question about that, but I wonder about planning. If we could haev gone the route, I suppose, of some of the Western European countries that arbitrarily charged, by taxing, a very, very high price for gasoline. If we had done that, we would have kept people in the central city.

We do charge a fair amount of tax on gasoline—it has always been considered a luxury, for some reason—but in spite of that, it has always been a small part of everybody's budget, and they have adapted to it and moved out to the suburbs.

One of the countries, I think, now charges $2.60 per gallon for gas. They buy oil at the same price we buy it. And yet we do not do that. We could do it, but I wonder how politically popular it would be, and you know, we have become a better Nation because energy has been inexpensive for us.

It has led to a lot of abuse, as we look at it today.

Mr. BROWN. Well, I am inclined to agree with you, because it is just like we charge—we talk about trying to control inflation by charging high interest rates. The high interest rates we charge end up costing everybody more money. It cost me more money to buy a house and it cost me more money to rent an apartment and it cost me more money on everything I do when they raise the interest rates. Maybe in the long run someone in the Congress will show me how that cuts back inflation, but I have to say that when I see the interest rates going up, it costs me more money.

So somehow there is a little confusion there.

Mr. SARASIN. Well, interest is a hedge on inflation, too. If you had the money to lend, you are not going to lend it and get it back and it is worth half of what you gave it away for.

Mr. BROWN. That may be true, but all I say is, I know it cost me more money, and therefore it inflates my cost of living.

I think also on this question of the suburbs and so on and what people's choices would be, I am a confirmed city liver—I have always lived in the city; I lived in New York before I lived in Washington. I always lived in the middle of the city because I just do not like those long commutes.

But it is possible that I might have been willing to live there if somebody had built a subway or railroad which went directly to the place and I did not have to get into a car and find a parking spot or go into a parking garage, and I have a feeling that if somebody had planned or at least given certain advantages to people who moved to the suburbs on rail transportation lines that would improve the commuting service, that there are a lot more people that would be living more happily in the suburbs today if they were on mass transportation lines.

I think that, you know, there are ways of giving people choices in this planning thing without directing them or forcing them to do it, but giving them more options, and that is another area that we think that jobs can be created, is in mass transportation, because I know that I shudder with horror everytime I go to Virginia or try to find someplace because everything is so gerry-built I cannot—I lose my way in the car and I would much rather have someplace to go straight to.

Mr. SARASIN. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. I just wanted to welcome Mr. Brown, who is a longtime friend and political associate from New York, and tell you how pleased I am at having you welcome me by appearing as a witness at one of the first hearings that I am participating in.

I have, really, only one question. I should have asked it of Dr. Alperovitz.

He cited a $4 trillion figure of Dr. Keyserling on waste and I wonder if anyone knows, if you know, what time period that is attributable to?

Mr. BROWN. Well, the best way I can answer that is to turn my head and ask Dr. Keyserling, whom I take all my figures from anyway.

1953 through 1976, and I am willing to stand on that.

Mr. WEISS. Thank you very much.

Mr. HAWKINS. Thank you, Mr. Brown.

That concludes the subcommittee's hearing today. The next hearing of the committee will be on February 22. We also plan to hold a hearing on the 24th. I have invited the Secretary of Labor, Mr. Marshall, to come before the committee. I believe the date for his appearance is February 24.

At the same time, may I also invite comments and suggestions from other members of the committee, and particularly from the minority, as to any of the witnesses that we should call.

We have no particular plan for the types of witnesses. We are trying to cover all viewpoints. If there are any suggestions or any viewpoints that have not been covered, we certainly do not want to overlook any of them. We certainly want your suggestions as to other witnesses during the next 2 to 3 weeks.

The committee stands adjourned until February 22.

[Whereupon, at 12:25 p.m. the subcommittee adjourned.]

[Material submitted for inclusion in the record follows:]

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 14, 1977.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Subcommittee on Employment Opportunities, House Annex 1, Washington, D.C.

DEAR MR. CHAIRMAN: A constituent, Mr. T. E. Wells, has requested that I submit his proposed testimony to your office so that you might consider including it as a part of the record.

Knowing that you share many of the same interests as Mr. Wells, I informed him that I would forward the enclosed materials to your Committee.

Should you need any further information with regard to this matter, please don't hesitate to contact my office.

Sincerely,

GLADYS NOON SPELLMAN,
Member of Congress.

Enclosure.

PROPOSED TESTIMONY BEFORE THE COMMITTEE

Mr. Chairman, my name is Travis E. Wells and I am speaking mainly on behalf of one of my clients. To assist in President Carter's Emergency Stimulus Proposal, especially in reaching fuller employment by putting people to work, my client would like to help by:

1. Immediately begin placing and training 5,000 apprentices for permanent jobs, and then continue to place and train about 1,000 or more per year to compensate for an attrition rate of 7 percent expected to continue until 1982, due to retirements and other factors.

2. Place the apprentices in a going program that urgently needs expanding. He is now training apprentices in nine trades, with nine more planned for the immediate future and more as required.

3. The Program is already registered with the Bureau of Apprenticeship and Training, U.S. Department of Labor, and also with the Veterans' Administration.

4. Vietnam veterans are especially wanted for the program. The top age for entry into these apprenticeships has already been raised to age 35, which should cover all or most of the veterans who entered service at the time of the Vietnam conflict.

5. There will be no planning or development costs because the program is operational and has been for about a year. A price contractor handling the related training for this program has been in business for over 80 years, and has the resources to handle a rapid increase in number of students. This would mean no delay in the program as present systems are geared to handle a continuous flow of apprentices without the need to wait for classes to be formed.

6. This program is vital to the interests of the United States as it already is meeting some of the goals of the Office of Management and Budget to increase the efficiency of the "Blue Collar Workers" in the Federal Service.

Mr. Chairman, this testimony concerns the program now in operation with the Facilities Engineering Command of the United States Army. Through Apprenticeships, this program is aimed at meeting manpower requirements for maintaining and improving the facilities of the Army bases in this country and abroad. Well trained Journeymen are to the best interests of the United States because they save money and tend to be permanently employed not only in Federal Service but in Industry as well.

The man in charge of this program for the Chief of Engineers is: Mr. Laurence F. Blodgett, Chief Management Branch, Office of Chief of Engineers, DAEN-

FEM–M, Room 1G083, Forrestal Bldg., Washington, D.C. 20314. Phone 202–693–7420.

He is willing to add to this testimony, if need be.

This is but one agency of the Federal Government that can provide needed jobs, but the same types of programs can be used, and are being used, in other agencies of the Federal Government where skills need developing, and also at the State and Municipal level.

Help in funding these needed programs will make permanent jobs for the participants instead of stop-gap, make-work programs of a temporary nature. Thank you.